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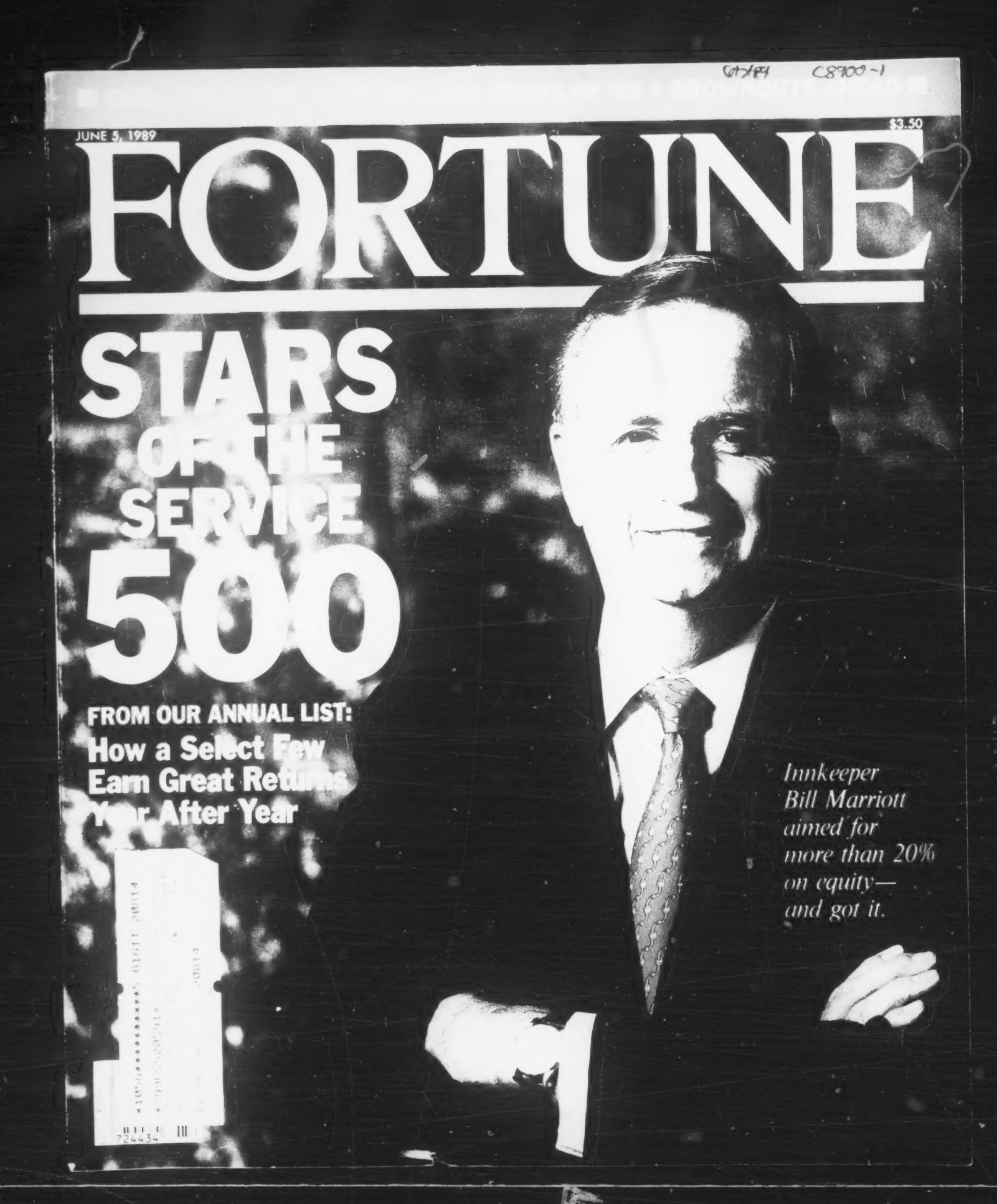
FORTUNE

STARS OF THE SERVICE 500

FROM OUR ANNUAL LIST:
How a Select Few Earn Great Returns Year After Year



Innkeeper Bill Marriott aimed for more than 20% on equity—and got it.

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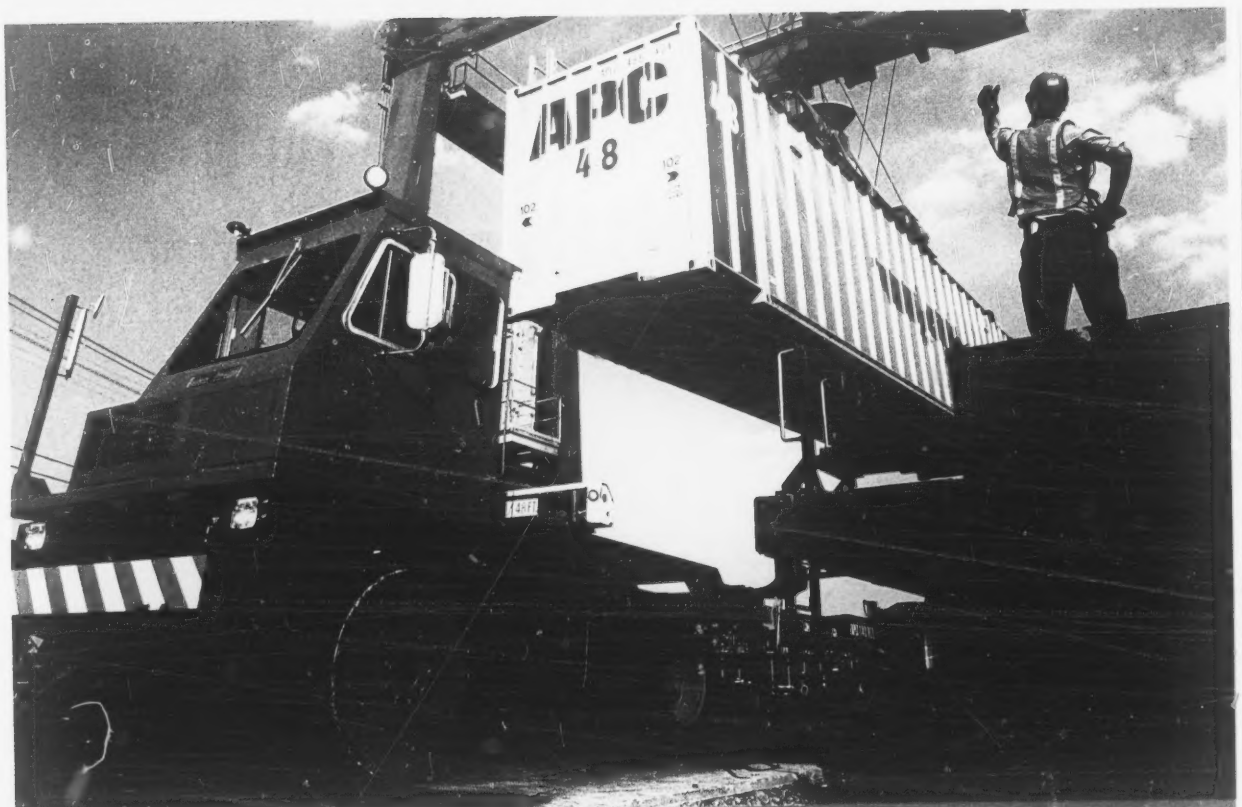
SERVICE 500

VOLUME 119 NO. 12

FORTUNE



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HOWARD EARL SIMMONS

Deutschman, Nickel, and editor Faltermayer

JAPANESE buying AIG insurance; Cubans getting overnight mail by UPS; children in Kuala Lumpur dragging their parents to the local Toys "R" Us. These scenes illustrate a truth richly documented by FORTUNE's 34th ranking of the largest service corporations: The U.S. leads the world in providing the services consumers most want to buy. Excluding life insurers, whose figures are not comparable with other companies', the Service 500 earned record profits in 1988 of $73.8 billion, up 55% from the year before. And, in a special study of CEO pay reported elsewhere in this issue, seven of the top ten U.S. chief executives listed head service companies (see page 88).

But how long can the U.S. keep its lead? And what distinguishes service competitors who shine from those who just get by? In FORTUNE's lead article, writer Carol Loomis uncovers the secrets of nine superstars of service. In hotelier Bill Marriott Jr., for instance, she finds a leader so in tune with his customers' taste that he pounces on pastries insufficiently glazed. Writer Sylvia Nasar, in another story, says U.S. companies must improve already-high standards of efficiency if they are to keep their service edge abroad.

To improve FORTUNE's own high standards, we are again introducing new features to this year's list to make it more useful. Companies are now ranked by market value, as well as by many other methods. Editor Edmund Faltermayer, who oversaw the list and the package of stories that begins on page 54, notes that this year's Service issue is the largest ever and that it now rivals the Industrial 500 issue in size. Says he: "That tells you a bit about the growing interest in this list."

Compiling the rankings and writing the story analyzing them was the job of reporters Karen Nickel and Alan Deutschman, whom Faltermayer calls "the real stars of this issue." No one who has not spent three months in a windowless office poring over 13,500 numbers can imagine the concentration their task demanded. Deutschman literally had to get new glasses.

ANDY FREEBERG

Carol Loomis

I'm delighted to tell you that FORTUNE, winner of last year's National Magazine Award for General Excellence, has brought home new awards. Carol Loomis won two: the Gerald Loeb Award, for her story on Kohlberg Kravis Roberts in our issue of last July 4, and the New York State Society of CPAs' Award for Excellence in Financial Reporting, for her story "The Killer Cost Stalking Business" in our February 27 issue. This Loeb (no kin) was Loomis's second. And writer John Curran won a first prize in the Overseas Press Club competition for his April 11, 1988, story "Tokyo's Stock Market: Stronger Than You Think."

Marshall Loeb

MANAGING EDITOR

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STARS OF THE SERVICE 500

Strict attention to costs and a passion for satisfying the customer have kept profits blazing at nine standout companies. ■ *by Carol J. Loomis*

C. WILLIAM POLLARD AND KENNETH T. WESSNER
SERVICEMASTER

■ *When their core business of hospital housekeeping weakened, President Pollard, 51 (left), and Chairman Wessner, 67, converted ServiceMaster to a partnership, borrowed, diversified, and kept it Star No. 1.*

THE SERVICE sector of U.S. business displays bold paradoxes. It is the engine powering growth in the economy, yet ofttimes it is a wheezer in delivering profits. It is a world of ferocious rivalry in which competitive advantages can disappear overnight. But it is also a world in which innovative and flexible companies can outshine the field for years.

FORTUNE here presents the brightest stars of the service sector, including that standout whose CEO is on the cover, Marriott (see box, page 56). The nine winners were identified by a special FORTUNE study of sustained profitability in the Service 500. The nine form, you might say, an all-star baseball team made up of home-run sluggers and line-drive dependables, and a few slated to make the Cooperstown of investing. These are the boys not only of a summer but of a decade. In their techniques and philosophies lie broad lessons for business.

We lined up this team by looking at return on equity—the ratio, that is, of after-tax profit to stockholders' equity—the ultimate measure of how well a management is using the owners' money. To be a star, a company had to average at least a 20% return on year-end equity over the 1979-88 decade without once slipping below 15%. Companies that met these standards only through nonrecurring gains made on sales of assets did not qualify.

Each winner is a true business phenomenon. A company scoring 20% returns on equity year after year is offering an investor an exotic 20% savings account. Part of the investor's return is delivered to him through dividends; the remainder stays in the company as retained earnings, there again to earn 20%. As financial deals go, this one is hard to beat.

But such deals are also hard to find. Five years ago, when FORTUNE conducted a similar study for the decade 1974-83, we turned up only a dozen winners. Of these, just three repeated on this year's list of stars. Four dropped off because they were acquired or went private, and five couldn't maintain the high batting average required.

The new superachievers, three repeaters and six newcomers, share some ideas that may help explain their mutual success. Most are imbued with the belief that profits come from providing genuine value. To that end, they hold prices down by keeping costs and systems under rigid control. There are, in fact, cost fanatics on the team.

The shiningest star of the group is also somewhat unorthodox. ServiceMaster, of suburban Chicago, headed the 1984 list and leads the 1989 version as well with an average return on equity for the decade of—wow!—63.7%. Back-to-back championships may attest, in this case, to the power of religion. The company selects a biblical verse for each annual report and reiterates there the company's first objective: "To honor God in all we do." The name ServiceMaster connotes "master of service" as well as "service to the Master."

But the Lord helps those who help themselves. In the name of making money, ServiceMaster experienced a stunning secular conversion between List 1 and List 2. Five years ago the company was a garden-variety corporation that garnered 80% of its revenues from services, particularly cleaning, that it provided to hospitals. The company had no debt and required so little capital that it paid out more than 70% of its earnings in dividends. But as Medicare shrank what it would pay toward the bills of senior citizens, hospitals retrenched and ServiceMaster got squeezed.

So the company sallied forth and transformed itself. For one thing, it borrowed $340 million, mostly to buy other service businesses that would fit its disciplined Midwestern ways. Now it owns a pest and termite control specialist, a food service company, and a maid service for homes. It is also acquiring a company that guarantees the buyer of a house that the appliances within it will work.

Second, ServiceMaster momentously reorganized itself into a limited partnership, thereby escaping corporate income taxes and boosting earnings by about 80%. Simultaneously, as part of the reorganization, it spent $38 million to buy back a big block of its shares, a step that shrank its equity by more than half. *continued*

TOM E. SMITH
FOOD LION

■ *By asking "How can we do the job better for less money?" President Smith, 47, has kept growth roaring at this supermarket chain.*

NINE THAT LIGHT THE SKY

	COMPANY	RETURN ON EQUITY 1979–88		
		Average	BEST Year	WORST Year
1	SERVICEMASTER	63.7%	142.2% 1987	30.9% 1980
2	PRICE	28.5%	43.2% 1981	19.3% 1987
3	UNITED PARCEL SERVICE	28.3%	37.3% 1981	16.1% 1979
4	TANDY	26.0%	40.0% 1979	15.1% 1986
5	WAL-MART STORES	25.6%	27.8% 1988	22.4% 1981
6	FOOD LION	24.2%	28.8% 1979	22.4% 1982
7	BRUNO'S	22.4%	35.3% 1981	15.4% 1987
8	MARRIOTT	21.7%	32.7% 1988	17.2% 1979
9	MELVILLE	20.9%	24.0% 1979	19.1% 1985

To join this galaxy, drawn from the Service 500 lists starting on page 351, a company had to have averaged at least a 20% return on equity the past ten years, never sinking below 15%.

PHOTOGRAPHS BY KATHERINE LAMBERT

One bit of constancy: ServiceMaster's payouts, now called distributions instead of dividends, have stayed high. But the company's reduction in equity and increase in profits are today producing returns on equity that make even ServiceMaster's cherished returns of the past—30% and up—look poor and miserable. Last year, earning $64.6 million on $51.4 million in equity, the partnership showed an eye-popping return of 126%. Of course, the partnership had debt of $280 million, more than five times equity. That's not normal. God-fearing capitalization, except in leveraged buyout country.

Brooding over ServiceMaster and a pack of other companies that decamped into partnerships, the government rose up to block this escape route from income taxes. ServiceMaster, among others, was grandfathered and will be spared taxes until 1998, at which point it will begin to pay them and resume life in the slow lane. By then, C. William Pollard, ServiceMaster's chief executive, hopes to have paid down debt, to have gained growth from his acquisitions, and to be making high returns on equity the old-fashioned way.

Compared with ServiceMaster, the other two survivors from the 1984 list, both retailers, would appear to be relatively ho-hum—except that is patently not the way to describe one, Wal-Mart Stores. In baseball terms, Wal-Mart, whose $20 billion in revenues make it the nation's third-largest retailer, has been swinging for the fences forever. Still a corporate kid with stores in only 26 states, Wal-Mart is likely to pass K mart in 1990 and in five years could overtake Sears.

The other survivor is Melville, a specialty retailer and a singles and doubles hitter that

HOW MASTER LODGER BILL MARRIOTT PROPHESIED

It may have sounded brash in 1980 when J. W. Marriott Jr. publicly proclaimed Marriott Corp.'s intention to make better than 20% on stockholders' equity in the decade ahead. The company had averaged only 11% in the Seventies. But even as he spoke, Bill Marriott was stripping away the company's need for capital. He sold hotels while keeping the rights to manage them, and used the proceeds and borrowings to repurchase a third of Marriott's stock. In his head he had a picture of what is now chiseled in the record: an average ROE through 1988 of well over 20%, with no year's return below 18%.

Marriott's stock has leapt since then from a market value of $700 million to $3.5 billion. That's a nice gain for the family, with its 25% stake. Still, Bill Marriott's father, Willard, who raised this suburban Washington, D.C., company from root-beer stands and who was a hero to his son, originally fought the strategy. In the Depression, he'd seen a stream of debt-laden hotels go bankrupt. He liked real estate, conservatively financed, and he didn't like the stock market. The thought of selling hotels and borrowing to buy Marriott stock dismayed him.

But the father had done the unusual in his time also. A Mormon proscribed from drinking, he sold liquor in his hotels, believing it critical to success. His son was equally determined: "We wore him down. He went along because the management and the board supported the plan. But he never believed in it."

The elder Marriott died in 1985, at age 84, and within weeks the family suffered a second blow. Bill Marriott, then 53, was seriously burned. While he was trying to start a boat, the gas tank exploded. He survived by diving into the water, but the company shivered during his slow recovery. There is "magic," says a Marriott resort manager in having a man of the name at the top.

HE CAME BACK the same Bill Marriott: absorbed in work, family, and the Mormon church, in which he has been an active local leader. His compensation from Marriott is $1 million, his dividends the same, and he tithes as the religion commands. Two sons and a son-in-law hold jobs in the company. Are they as dedicated to it as he? He isn't sure: "They see how hard I work and I think they ask themselves if it's worth it. They've never said anything, but I wonder."

The Marriott empire, nearing $8 billion in revenues, sweeps widely today. In lodging it offers 121,000 rooms under the old name and new ones: Courtyard, Fairfield Inn, Residence Inn, and soon for the elderly, Brighton Gardens. The company runs and franchises 1,100 restaurants, among them the Roy Rogers, Bob's Big Boy, Allie's, and Host chains. It supplies in-house food to big employers and in-flight food to airlines.

IT IS, IN FACT, gigantic in food, getting 70% of its revenues—when hotel sales are figured in—from eats and drinks. As a huge centralized buyer, it uses leverage expertly, keeping payables high and gliding along with a negative working capital. Counting part-timers such as student/waiters, Marriott employs 230,000, making it the nation's ninth-largest private employer.

The man at the top—sometimes "the big M" in employee banter but routinely "Mr. Marriott" to his face—is serious, gentlemanly, and steeped in his business. In his dad's office he overheard mysterious chatter about "food cost percentages" before he'd even seen percentages in school. While a University of Utah undergrad, he toiled at a Marriott Hot Shoppe. Later he moved into the lock-step pattern of a corporate heir and he recalls occasionally pulling his rank: "I was rougher 25 years ago."

He has since won deep admiration in the company by knowing it so well. That does not make him a financial expert. The company's restructuring was mainly the idea of two Marriott alumni, Gary Wilson, now at Disney, and Alfred Checchi, an investor currently trying to take over Northwest Airlines with Wilson's help. But Bill Marriott listened.

Pressed to describe what he does best as a manager, Marriott says, "Maybe setting an example of hard work and concern for both the customer and the employee, while also driving hard to make money. People say you can't balance the two, but my father believed you could, and I do too."

His style, and his eminence, were on view recently at the company's 410-room Albuquerque hotel, one of nine Marriott establishments he visited in a pell-mell two days. Learning late that the boss was dropping in, the hotel's outgoing, energetic 38-year-old manager, Tom Chase, sped back from a trip—"I couldn't have Mr. Marriott on my property and not be here"—and all but personally scoured the kitchen and polished the lobby floor.

Arriving, Marriott was hailed by 40 employees lined up to

just keeps getting on base. The largest of its 13 divisions include Marshalls, an off-price merchandiser; CVS, a discount drug chain; Kay-Bee, which sells toys; and Meldisco, the footwear licensee in K mart stores. From that vantage point, Meldisco is forced to watch Wal-Mart's smoke.

To these holdovers, add four newcomers that are also retailers. One, Tandy, owns the Radio Shack chain of stores, where it sells computers from its own factories and, in the words of one security analyst, exploits "a great, great franchise selling little pieces of wire at an enormous markup."

Another, Price Co., a 13-year-old creative wonder, started the first U.S. warehouse clubs, which are no-frills, cement floor operations that sell food, hard goods, and you-name-it to small businesses and dues-paying folk. Years ago, Sam Walton of Wal-Mart, now 71, got a guided tour of a Price club from founder Sol Price, now 73, and his son, Robert, now 46 and chief executive. Walton went on to start imitations called Sam's Warehouse Clubs. Last year, Sam's and the Price clubs both had revenues of about $4 billion. But out of caution or gratitude for the idea, Walton has not yet put Sam's clubs into Price cities.

The same point does not apply to supermarket chains Food Lion, based in North Carolina, and Bruno's, headquartered in Alabama. Both have been expanding furiously—Food Lion ferociously—and though they have largely stayed out of each other's hunting grounds, some head-to-head competition is newly visible. Of the two, Food Lion is the most single-minded, using cookie-cutter stores to offer low, low prices to get high, high volume. Bruno's operates five chains (including some stores under the venerable Piggly

PROFIT AND PROSPERED

shake his hand, wearing their best. On an hour's tour, he grimaced at the lack of glaze on the pastries—"They're due to get it before they leave the kitchen," explained Chase—and noted the need for a catch-the-spills mat between kitchen and dining room. He stopped to check the "Guest Service Index"—a barometer of quality that had dipped, said Chase apologetically, because the water supply had been cut off when a nearby main broke, and because a visiting hockey team had been rowdy.

A photographer back-pedaling before him, Marriott posed with employees, smiling as if born to politics. Speaking to a handicapped kitchen worker named Sheila, he said, indeed, he remembered a letter she'd sent him four years before. And when the visit was over, Marriott told a reporter that the hotel looked very clean and in good shape and that Chase was an ideal sort for a manager: "He's friendly and pumped up, and that's why he's got great occupancy rates."

Overall, says Marriott, the company's occupancy is "at least ten points higher than the industry's," which is 63%. The company perennially stars in customer surveys done by *Business Travel News*. But the industry is overbuilt right now and rates are sticky. A decade ago, with rooms tight, Marriott hotels scored with rate increases that exceeded inflation rates by a couple of percentage points. Could they do it again if inflation flared? Considering the abundance of rooms, says Marriott, it would be hard.

He plans now to slow the building of standard, full-service hotels, concentrating instead on suite layouts and middle-market Courtyards and Residence Inns. He may add a few resort hotels to the 20 Marriott already has in such haunts as Barbados and Maui, and he wants to expand somewhat overseas, where the chain is relatively unfamiliar.

MARRIOTT WANTS NO PART *anywhere* of what he calls "trophy hotels"—the one-of-a-kind, luxury establishments that have recently been selling at enormous prices, often paid by foreigners. An industry rule of thumb says a hotel will fly economically if its rooms command rates equal to one-thousandth of their cost. Buying the Beverly Hills recently, the multi-billionaire Sultan of Brunei paid $750,000 per room, which means he needs $750 per night, about triple today's rate. The Sultan might not mind losing tankers of money. Bill Marriott would mind.

Ironically, the fervor of foreigners for hotels has made him reconsider his strategy of selling off Marriott's. The stock market, he notes, never used to recognize the real-estate value of hotels, but that's changing. Says Marriott, "We need to figure out a way to hang on to our hotels longer. We're working on that."

His comment implies that the company may soon have a big need for capital. Yet recently it has been buying its stock—again—and Marriott is still predicting rich returns on equity. They will stay north of 20%, he promises. You better believe.

J.W. MARRIOTT JR.
MARRIOTT

■ *Chairman and boss since 1972, Bill Marriott, 57, gets kudos for knowing his businesses: lodging, restaurants, and food service.*

Wiggly name) with more varied pricing.

Two generations of Waltons, Brunos, and Prices are represented in the managements of FORTUNE's stars, and a fourth family-run business is Marriott, whose lodging and food businesses are now headed by the founder's son, J. W. Marriott, Jr. The remaining star in the galaxy, United Parcel Service, is not technically family run, but thinks of itself that way.

As investments, the stars have delivered celestial gains. Seven of the group were publicly traded at the end of 1978, UPS and Price being the exceptions. Over the next decade the median total return for the seven—that is, stock appreciation plus dividends—was 30.2% a year, compounded. That's a spectacular result compared with the 18.4% median registered by the entire Service 500.

RONALD AND ANGELO BRUNO

BRUNO's

■ *Birmingham-based father and son Angelo, 65, and Ronald, 37, have been successful at holding prices down in several types of supermarkets, from warehouse to upscale.*

Each of the seven beat that median. ServiceMaster, ironically, did the worst, 19.6%. Its stock has stagnated since the company turned itself into a partnership three years ago, mainly because earnings have also stalled. Wal-Mart—who else?—led the seven with a rate of 46%, and the Southeast sizzlers, Food Lion and Bruno's, were both at 36%.

No public market for UPS's stock exists. Instead, the shares are entirely in the hands of the company's managers and supervisors, who earn them as compensation. When a shareholder leaves, he must sell his stock back to the company at the currently prevailing price, set by UPS. Retiring, he unloads gradually, over ten years.

Because UPS stock does not trade publicly, FORTUNE's list of transportation companies does not present a total return for the company. But using price and dividend data UPS publishes every year, we figured its ten-year annualized return to be 34%. Not bad for a conservative outfit that is the oldest of the nine on our list—it was founded in 1907—and never lets its stock price get up to anything crazy like 12 times earnings. Price, the youngest of the nine, has paid no dividend since it was founded in 1976. But the rocketlike ascent of its stock reflects the company's inventiveness. Since the shares were first publicly traded in 1982, they have appreciated at a compound annual rate of 42%.

Of course, an investor could not tell years back just which companies would join our galaxy of stars. He could, however, have read FORTUNE's 1984 article celebrating the 12 stars of that era and decided to buy, picking up Wal-Mart, Melville, ServiceMaster, and the other nine.

In this not-so-dirty dozen, he would have done superbly—on balance—with four companies that faded from public view: Parsons, an engineering and construction company that went private; Lucky Stores, a supermarket chain bought out by another, American Stores; Electronic Data Systems, bought by General Motors; and Allied Bancshares, a Houston company that tottered and was taken over by First Interstate. While the investor's losses on Allied would have been Texas-size, his profits on the other three would have more than compensated.

Among the other 1984 companies that would have landed in the investor's portfolio are three that almost repeated in 1989: McDonald's, which had an average return on equity for the last decade of "only" 19.5%; Super Valu, a food wholesaler that slipped below 15% in one year; and Dun & Bradstreet, whose steady-Eddie returns of above 20% included too many nonrecurring gains that didn't count. Finally, the investor would have picked up two companies that later took some knocks: Phibro-Salomon (now called just Salomon), a Wall Street stumbler; and a catalogue showroom retailer, Service Merchandise, whose diversification into building supply warehouses helped produce losses from which the company has since recovered. As a group these five had a median total return below that of the S&P.

But at the end of 1988, the 12 boys of 1984, taken as a group, would have given an investor a median total return, annualized, of 19.4%. That beats the S&P, at 18.6%, by a relatively small but significant margin. The moral: A few strikeouts won't keep all-stars from scoring.

WHAT LESSONS can be divined from this year's stars? For starters, ServiceMaster has signed up a phone number that fits the other eight companies as well: 1-800-WE SERVE. In general, these companies roam their territories looking for new and better ways to supply what the public wants. Says Stanley Goldstein, chairman of Melville: "Whenever we think about buying a new division, we ask ourselves what value it will provide the customer. The answer may be price; it may be selection. But it's got to be something, or else forget it. The one thing we don't want to do is run after the God of Big Volume."

By not chasing volume, Melville got a bad start in a good race. The company failed originally to spot the big potential in athletic footwear stores like Woolworth's Foot Locker. "A valid criticism," says Goldstein. "We were myopic." Melville is now trying to catch up in this footrace with a two-year-old chain it calls Fan Club.

In the hotel business, high occupancy rates are plainly the key to success, and Marriott's are significantly above average. What's the secret? Answers Bill Marriott: "It's friendly service and taking very special care of every customer," which means catering to many different needs. Some guests want to stay in their rooms; some want to hang out in the cocktail lounge. Marriott points out that many business travelers are well-paid and gregarious salesmen: "They want to mix with people who are the same and don't want to meet someone across the front desk who's stuffy."

At UPS, service is a theology, based on the belief that what's good for the customer

REPORTER ASSOCIATE *William E. Sheeline*

will pay off ultimately for the company. UPS is pleased and proud when it can hold the line on package-delivery prices, as it did from 1985 to 1988. Its chairman, John W. Rogers, 55, thinks that profit margins of 6% to 7% are "about right"—fair for all, that is—and meets that target year after year. For the customers from which it automatically picks up packages for ground delivery every day, UPS added overnight air service a few years back. "We had to," says Rogers. "The customers wanted it." To keep its Big Brown trucks efficient, UPS is equipping them with onboard computers and has plunged into other unfamiliar technologies. The goal is simple, says UPS: "to provide the best possible service at the lowest possible cost to the public."

Sounding less eleemosynary but equally directed, Bruno's Brunos—ranging in age from founder Joseph, now 76, to his nephew, Ronald, 37—once described the supermarket business in an annual report as really simple to dissect: First, you have to have the right number of stores in the right places; second, you have to have the right people running them; third, you need to make a profit by keeping costs down.

In executing this strategy, Bruno's has sometimes come up with answers different from those of its Southeast competitor, Food Lion. Bruno's keeps most of its stores open 24 hours a day. But Food Lion long ago concluded that the extra business to be gained during wee hours did not offset the extra costs. Its 589 stores close by 11 P.M., and soon after a computer at headquarters, in Salisbury, North Carolina, douses the lights throughout the system.

Food Lion analyzes *everything* and scrimps unmercifully. The chain's original name was Food Town, but as it expanded it ran into a chain of the same name. "I've got the solution," said founder Ralph Ketner, now 68, decreeing a new name that allowed the company to keep all but two letters as it remade its signs. Employees are likewise induced by incentive awards to think thrifty. Tom Smith, Ketner's successor as CEO, recalls a warehouse employee who concluded, counterintuitively, that lighter cartons should be stacked below the heavier. The reason: It takes less time and energy to lift a light carton from the bottom than a heavy one. Food Lion bought the idea.

STANLEY P. GOLDSTEIN
MELVILLE

■ *Bossing $7 billion in sales with a tiny staff in Harrison, New York, specialty retailer Goldstein, 55, likes hands-on divisional managers who "don't want to be in* Women's Wear Daily *wearing tuxes."*

Ketner remembers a newspaper reporter once calling to ask what belt-tightening steps the company would be taking as a recession bore down. None, answered the boss: "If I told you some way I could improve, I'd be telling you about something I got careless on." Here cost cutting is a way of life, not a sporadic endeavor.

The same feverish attention to costs and details is visible at Wal-Mart and Price. From their functionally plain headquarters in Bentonville, Arkansas, Sam Walton and his managers exercise total control over their empire—masterminding inventories, store layouts, prices, and merchandising strategies. They are burning to pass K mart and Sears. After Congress cut corporate tax rates in 1986, Wal-Mart announced it would pass the savings along to its customers, and the Price clubs quickly followed. Says an analyst of the Prices, father and son: "They've always got the pressure on. I think their competitors wish they'd let up."

THE ANALYSTS themselves wish the Prices would be more talkative about their plans, or at least more amiable about refusing to talk. "They're ornery," says one analyst. "Neither would win a personality contest if their competitors were rattlesnakes." Speaking briskly to FORTUNE, Robert Price said he plans to expand the warehouse concept to furniture—"Yes, couches; yes, beds"—and acknowledged concern that management could lose its grip on operating controls as the company grows. He declined, with middling impatience, to say what he'll do with nearly $200 million of spare cash the company has piled up.

At the fast-and-furious growers—Wal-Mart and Food Lion particularly—spare cash is unknown. But Tandy and Marriott have been big repurchasers of their own stock over the years and have also been buying recently. Tandy has some distinct problems: a stock that peaked way back in 1983, a general weakness in its retail sales of computers, and particular problems in cracking the business market. The company, though, is an efficient, low-cost computer manufacturer and has newly contracted to sell its product under the Digital Equipment and Panasonic names. Asked whether Tandy can average a 20% return on equity over the next ten years, Chief Executive John V. Roach, 50, says that's an "ambitious number." But there are always interesting possibilities, he adds, "when you have the upside potential that can come from a burst of technology."

One small cloud passing in front of FORTUNE's stars, and all service companies of lesser brilliance, is the mounting difficulty in getting workers. Food Lion has met trouble in Raleigh and Richmond; ServiceMaster in Boston, New York, and Philadelphia. "There is a growing need to provide dignity to service workers," says ServiceMaster's Pollard. There may also be a need to pay more or add benefits. Many of these star companies offer profit sharing. But some, such as Marriott and Wal-Mart, do not also provide pensions. The majority, moreover, pay no medical bills for retirees, which makes the group far different from the typical big industrial company.

The stars are an optimistic lot. They expect to cope somehow with any employee shortages and to grow no matter what. Says President David Glass, 53, of Wal-Mart's future: "We believe there is far more opportunity ahead of us than anything we've experienced in our past." Hard work will, of course, be an essential for his company and all the others. The Bible has a verse for it: "In all labor there is profit," Proverbs 14:23. There, 1-800-WE SERVE, is a candidate for your next annual report. There, also, is a fundamental .planation of just what makes most stars shine. F

AMERICA STILL REIGNS IN SERVICES

Japanese banks and British builders are on the march, and the global battle is intensifying. Is U.S. business about to get another black eye? Don't bet on it.

■ *by Sylvia Nasar*

THAT PROPHET of capitalism, Adam Smith, had little use for what we call the service economy. He dismissed the labors of tutors, shopkeepers, and household servants as backward or worse. A visionary in other ways, Smith could not foresee that service enterprises ultimately would become high-powered global competitors, every bit as cosmopolitan and as technologically advanced as manufacturers.

Whatever international whippings it has endured in manufacturing, the U.S. is still out front in services, where it is generally tops in efficiency. Last year American companies peddled an estimated $160 billion of ads, auto insurance, and other services to foreigners. Some $70 billion was in the form of service exports, in which the U.S. enjoys a trade surplus; the rest was purveyed by countless overseas outposts of American companies. While service companies as a whole took in roughly 5% of their revenues overseas, vs. 10% for the manufacturing sector, many were much more outgoing. Foreign sales ranged from about 10% to 40% for such service stalwarts as Toys "R" Us, Fluor Corp., Electronic Data Systems, American Internation-

After Hurricane Gilbert struck these Jamaican kids' orphanage last year, New York insurer American International Group paid for repairs.

al Group, Citicorp, and Arthur Andersen.

U.S. service companies are especially strong in the brainpower-driven services that businesses buy: investment banking, management consulting, telecommunications, information services, commercial insurance, and technical education. And America is no slouch in serving consumers either. More often than not, U.S. retail bankers, hotel chains, hospitals, and mass-merchandisers set the standards for efficiency and quality that foreign rivals strive to match. Only in a few industries—shipping and tourist travel, for example—have foreigners gained the upper hand.

So far, that is. Many economists and business executives worry that U.S. business, already bloodied in autos, consumer electronics, and memory chips, is headed for a similar fate in services. "Americans have no more natural advantages in producing financial instruments than in color TVs," says MIT economist and Nobel laureate Robert M. Solow. "We are in danger of losing our edge."

ON THE THEORY that the best defense is to carry the war into the enemy homeland, foreigners—many with deeper pockets, faster productivity growth, and proportionately higher R&D outlays—are attacking U.S. service companies in their own market. From Syracuse to Seattle, Europeans, Japanese, and—yes—citizens of Singapore are striving to become Americans' shopkeepers, bankers, builders, and hoteliers. Since 1980 they have almost quadrupled their investments in service enterprises on U.S. soil. Measured by book value, in fact, their $125 billion stake in the American service economy now exceeds U.S. direct investment in services abroad. (The foreign lead partly reflects accounting practices: U.S. investment abroad is older and is therefore carried on the books at lower prices.)

Five megatrends guarantee that international competition will heat up:

■ **Technology.** The global village will come into its own, thanks to breakthroughs in transportation, communications, and information technology that are driving down costs, churning out new products, and spreading new ideas as fast as you can fax from Fort Wayne to Frankfurt.

■ **Globalization of manufacturing.** U.S. companies are streaming abroad to supply support services as their clients scatter factories across oceans. EDS, the Dallas-based data-processing giant, went international in a big way on GM's coattails. Japanese construction kings Shimizu, Ohbayashi, and Kajima are busily building electronics factories and auto plants for Japanese clients in the U.S.

■ **Richer consumers.** Buoyant economic growth promises to lift incomes in Asia and Europe faster than in the U.S. As incomes grow, foreign consumers will devote a bigger share of their budgets to buying services. Taiwanese spend a quarter of their family budgets on services, far below Americans' 38%.

■ **Deregulation.** The removal of government's heavy hand has already lured scores of foreigners, such as British Telecom and Japan's Nomura, into U.S. telecommunications and financial services. Now American firms stand to benefit from a parallel trend in Europe and the Pacific Rim. Moves to deregulate international air travel should open new routes to U.S. carriers like Delta, United, and American.

UPS, whose minivans now careen through Hong Kong streets, is on the offensive overseas.

■ **Tumbling trade barriers.** The U.S.-Canada free-trade pact is a boon to the 910 Radio Shacks that Intertan, a Tandy Corp. spinoff, operates in Canada. As 1992 demolishes tariff walls in Europe, real estate consultant Grubb & Ellis, headquartered in San Francisco, expects plenty of calls from American and European clients eager to consolidate their factory and warehouse operations there.

U.S. service companies, government figures show, are stunningly efficient. American service workers outproduce their Japanese counterparts, for example, in transportation and communications, business and consumer services, and wholesale and retail trade (see chart). American outfits are, on average, bigger, more automated, and less sheltered from competition. Retail prices are 50% higher in Japan than in the U.S., largely because of inefficient middlemen. Only in financial services is Japan ahead, having splurged on computers, software, and the latest communications gear.

The U.S. service sector as a whole is awash in new technology. Service companies have increased their stock of equipment 66% over the past decade, twice as fast as manufacturers. As a result, their gear is much sprightlier. Its average age had fallen below seven years at the end of 1988, vs. more than nine in factories.

Impressive as this firepower is, the U.S. service industry will have to strive even harder to stay ahead in productivity. "Others are growing faster," warns C. Jackson Grayson, chairman of the American Productivity and Quality Center in Houston. American productivity is bounding ahead in a few key businesses—telecommunications, airlines, commercial banking, and wholesale trade—but the average gain in the services has slumped from 2.1% a year

Projects like this Shell refinery in England are reviving overseas revenues at Fluor Corp.

in the Fifties and Sixties to 0.5% since then.

The U.S., with 12.7% of the world market in 1987, is the top exporter of services, ahead of second-ranking France (9.7%) and third-ranking West Germany (9.5%). Services are exported when a citizen of Hong Kong, say, checks in to a Chicago hospital, or a New York management consultant jets to Jiddah to supply advice to a Saudi Arabian client. Despite large deficits in shipping, tourism, and travel, the U.S. has run a trade surplus in services since the Sixties. The surplus ballooned from $3 billion in 1987 to nearly $8 billion in 1988 as surging foreign demand and the cheap dollar drove up U.S. exports by 16%. John Hagens, an economic forecaster at WEFA Group, expects service exports to climb 5% a year after inflation throughout the Nineties, about as fast as U.S. factory exports and three times as fast as service imports.

America's export prowess may be even greater than it looks. A recent study by the Office of Technology Assessment speculates that actual sales abroad may be some 60% higher than reported. Missing from the official tally are such professional services as computer consulting, public relations, and the advice purveyed last year by law firms like Skadden Arps Slate Meagher & Flom, which has upwards of 60 Japanese clients. Those given to griping about the litigious nature of American society can take comfort that the U.S. exports twice as much legal advice as it imports.

MOST SERVICES American companies sell to foreigners are performed by employees stationed abroad and paid for in local currency; hence, they don't count as exports. Arthur Andersen, the accounting firm, which earns 40% of its revenues abroad, has a network of 48 foreign partnerships. The Big Eight firms dominate Europe. Sales by overseas subsidiaries of U.S. service companies have been rising roughly 6% a year in the Eighties.

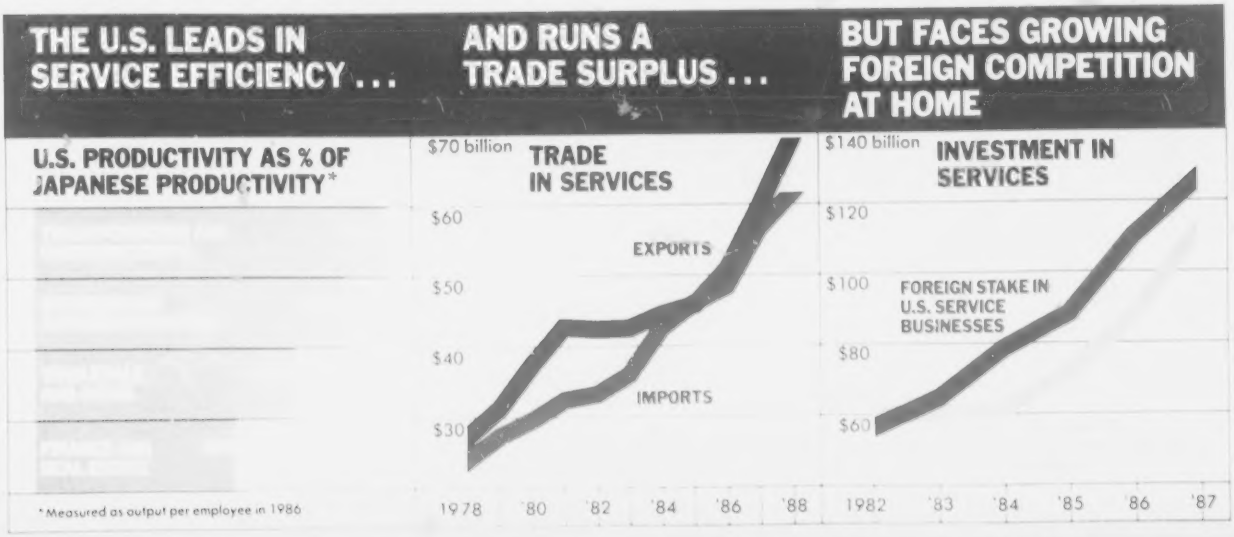
How can U.S. service companies keep winning in the international arena? A look at seven businesses shows what succeeds and what doesn't. Vigorous American contenders are triumphant in three of them, moving up fast in two others, and counterattacking in two more in which their compatriots have lost terrain.

■ **Computer services.** Abundant capital —specifically, the largest installed base of computers in the world—goes a long way toward explaining the substantial U.S. edge in the $95 billion market for data processing, custom software, assistance in setting up computer networks, and the like. Exports recently exceeded imports by an astounding 31-to-1 margin.

Indeed, the global wrestling match is pretty much dominated by American companies—Arthur Andersen, IBM, Boeing, and others—though Britain's Logica offers growing competition in its home market, and France's Cap Gemini is taking a $160-million-a-year bite out of the U.S. market. Dallas-based EDS garnered $800 million in overseas revenues last year, a sixth of the total, and boosted profits by 19%. Though nearly half its foreign business still is with GM, the company's foreign client list is beginning to read like the Who's Who of global industry. Helping those clients integrate their computer and communications systems is one of EDS's fastest-growing services.

■ **Retailing.** U.S. merchants have been profiting from a classic formula for success: doing abroad what has worked superbly at home. The strategy sometimes misses; ask Sears and J.C. Penney, which flopped in Europe. But it is working wonders for specialty

REPORTER ASSOCIATE *Sarah Smith*



retailers. The foreign sales of Toys "R" Us, based in Paramus, New Jersey, shot up 75%, to $367 million, in 1988. The company, which has opened 25 stores in Europe in the past four years, just established its first Malaysian outpost in Kuala Lumpur. Says Joseph Baczko, head of its international division: "Our strategy is pretty much the same around the world. Eighty percent of our products are the same too."

Forth Worth's Intertan opened 102 new Radio Shack and Tandy stores last year and expects to top that number in 1989. A breakeven operation before it was turned loose by Tandy Corp., Intertan is chalking up handsome profits now. "We're not doing anything radically different," says chief financial officer Garland Asher, pointing out that the former parent treated the global business as a stepchild. Intertan replaced American expatriates with local managers attuned to local demand. Canadian customers are content with seven different electronic keyboards, but rock-mad British teens want twice as many to choose from.

■ **Insurance.** Around the world, this remains mostly a domestic business. All the more amazing, then, that New York City's American International Group collects 40% of its premiums abroad, vs. less than 1% for U.S. insurers as a whole. AIG's unique advantage is its far-flung archipelago of 375 insurance offices in 130 countries. "You cannot just sell insurance. You have to service it," says CEO Maurice Greenberg, who adds that multinationals of all countries increasingly prefer one-stop shopping for their insurance needs.

AIG offers exotic policies like expropriation insurance, and it excels at fine-tuning products to local needs. In Japan, it markets accident and health policies with—what else?—built-in savings features. AIG's foreign profits have been spurting 20% a year on average since the mid-Eighties.

■ **Airlines.** In some businesses, a powerful home base can be as much of an advantage abroad as the latest technology or the neatest new product. American Airlines, a classy carrier with a 17% market share in the U.S., is a case in point. So is its most dynamic rival in the North Atlantic, resurgent British Airways, now the leading international carrier worldwide. But American has lower costs, the world's biggest computer reservation system, and a record for reliable service that has helped it become No. 6 in the North Atlantic in just four years.

■ **Air courier services.** The war over the exploding international air courier market is testing the U.S. edge in service organization and efficiency. UPS and Federal Express have used their dominance in the U.S. to vault into the global market, directly challenging Brussels-based DHL, which controls most of the international business. Both invaders are spending heavily to acquire a global air and ground network. Although they are winning customers, neither is yet in the black overseas.

"We're the only financial service company that has pursued the consumer worldwide—with our normal voracious appetite," says a Citicorp exec.

Driving down costs is the key to victory in what is increasingly becoming a commodity business. "That is a way of life at UPS," says Donald Layden, senior vice president for international air operations. "We track our costs per package or kilometer. We let our foreign managers know what they are and ask them to keep costs in line or rein them in." UPS has recently expanded its overnight document deliveries from 41 to 163 countries. Should you wish to send a message to Fidel from anywhere outside the U.S., these are the folks to call. UPS is the only courier in Cuba.

■ **Banking.** Measured by share of major banks' world assets, Japan's banks now outrank the U.S., 24% vs. 22%. U.S. banks—Wells Fargo and First Chicago, to name two—have mostly been retreating from global markets. A glittering exception is Citicorp, which now employs 26,000 retail bankers in 40 countries. "We're the only financial service company that has pursued the consumer market worldwide—with our normal voracious appetite, I might add," says Richard Braddock, who head's Citi's $8 billion consumer banking division. Revenues have been growing more than 20% a year abroad for the past five years, faster than in the U.S. In 1988 overseas profits soared 24%.

Citi gets business in Britain by processing mortgage applications in a week, one-quarter the time it takes competitors. In Hong Kong it is the biggest financer of taxis. Citi's innovations—touch-screen automatic teller machines and Citi-One accounts, for example—are wowing gadget-obsessed Koreans and Japanese.

■ **Industrial construction.** The U.S. is still the world's top international contractor, with 25% of the market in 1987, but that's a shadow of its 45% chunk in 1980. Specialists in big projects, American companies got blasted in the early Eighties by higher interest rates, collapsing oil prices, and Third World debts. Fluor Corp. of Irvine, California, saw its foreign business shrink from 90% of contracts in 1976 to just 10% in 1985. Japanese, not American, builders increasingly pioneer new methods. Also, they can count on cheaper capital. Says Gerald Glenn, the head of marketing for Fluor's international subsidiary: "The name of the game is, bring some money."

To become more competitive, says Glenn, "the smart U.S. companies are spending a lot on R&D and on training." Fluor has been spending heavily on computer-aided engineering, communications networks, and cost-control and scheduling systems. The company's new foreign contracts quadrupled last year to $1.4 billion, 24% of the total. Fluor's goal is 40% to 60% by the mid-Nineties, mostly from projects in the Pacific Rim and Europe.

AND WHAT of all those foreign service outfits hammering away at U.S. dominance? Some are conquering. Other nations now boast the world's biggest janitorial service, ad agency, and equipment-leasing company. Dow Jones's Telerate, a database giant on Wall Street, is a dwarf in Europe, where British-based Reuters has 70% of the business to the Yank firm's 10%. U.S. service imports jumped 9% last year, with consequences especially galling to Blount, the Alabama-based heavy-construction firm. Blount, which does hardly any building abroad, recently lost a bid to British-owned Taylor Woodrow to build a Jacksonville, Florida, jail. When it comes to services, American companies are no pushovers. But count on the foreigners to keep on pushing. F

■ *The* FORTUNE *Service 500 directory begins on page 358.*

SEEKING THE SENSE IN CEO PAY

Sometimes there's precious little. In an exclusive study, a noted compensation consultant shows what really influences the take at the top—and what doesn't.

■ *by Graef S. Crystal*

TOP PAY, TOP PERFORMANCE

Gulf & Western's Martin Davis

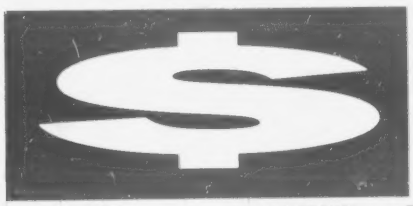
Coca-Cola's Roberto Goizueta

Reebok's Paul Fireman

WHAT'S going on with CEO pay? FORTUNE asked Graef S. Crystal to answer that question, repeating a groundbreaking study that he conducted last year and wrote about in this magazine (June 6, 1988). Widely considered the dean of U.S. compensation consultants, Crystal has counseled hundreds of large companies. He spent 18 years with a major consulting firm and is now a professor at the Haas School of Business of the University of California at Berkeley. His report:

Ask CEOs how they should be paid, as FORTUNE recently did, and nearly all respond reasonably: They should be paid according to performance (see poll, page 109). But strangely, boards of directors don't seem to be getting the message. In 1988, as in past years, the chiefs of America's largest companies were often paid according to who knows what measure. My study of CEO compensation reveals a wide array of factors that ought to influence pay but don't. We can only imagine which factors are really making a difference.

This study assumes that the market for top executive talent is genuinely free—no government authority is telling directors whom to hire or fire—and that the average CEO is therefore neither overpaid nor underpaid. But the results, as well as my own experience as a compensation consultant, suggest that this market is hardly efficient. So even though the average CEO gets what



CEOs who most exceeded the computer model's pay . . .

	CEO	COMPANY	PERFORMANCE IQ	COMPENSATION in thousands ACTUAL	MODEL	PERCENT HIGHER
1	Richard K. Eamer	NAT'L MEDICAL ENTERPRISES*	96	$6,337	$1,661	282%
2	Martin S. Davis	GULF & WESTERN	103	$6,339	$1,796	253%
3	Michael D. Eisner	WALT DISNEY	110	$14,041	$4,350	223%
4	Paul B. Fireman	REEBOK	123	$11,439	$4,049	183%
5	Robert L. Crandall	AMR	97	$3,717	$1,438	158%
6	Roberto C. Goizueta	COCA-COLA	113	$5,042	$2,053	146%
7	Robert E. Mullane	BALLY MANUFACTURING	89	$3,002	$1,323	127%
8	S. Parker Gilbert	MORGAN STANLEY GROUP	103	$4,705	$2,115	122%
9	James Wood	GREAT ATLANTIC & PAC. TEA*	104	$3,060	$1,400	119%
10	David M. Roderick	USX	91	$2,458	$1,229	100%

Factors you would expect to influence CEO pay, such as company size and performance, explain only part of it. The computer model, explained in the article, calculated each CEO's

*1987 data.

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TOP PAY, LOW PERFORMANCE

USX's David Roderick

he or she is worth, some CEOs get far more and others get far less.

Like its predecessor, this year's study started by focusing on 200 major companies: The 100 biggest from the FORTUNE Industrial 500 and the 100 top companies from the eight subgroups of the Service 500. Several companies were dropped because of ownership by a foreign parent, a change of CEOs during the year, or financial statistics that make comparisons impossible, such as Holiday Corp.'s huge negative net worth, an aftertaste of its leveraged recapitalization. The number of companies in the final sample: 161.

A CEO's pay is the sum of base salary, bonus, and, when reported, the value of such lavish perks as company cars and apartments. It also includes the *annualized* value of long-term incentives, such as stock option gains, restricted share grants, and performance unit payouts. Unlike base salary and bonus payments, these long-term incentives don't usually pay off every year, so I have chosen to smooth them out over five years. For example, that mammoth $33 million option gain that Walt Disney's Michael Eisner took last year shows up as $6.6 million—one-fifth of the total—in his 1988 pay and will show up that way annually for the next four years.

To gauge company performance, I looked at several measures: net income for 1988, growth in sales and shareholders' equity over the past five years, return on equity for 1988 and for the past five years, average market-value-to-book-value ratio over the past three years, and compounded annual total return to investors over the past five and ten years.

Combining all these measures produced a so-called Performance IQ score. The average-performing company in the study had a Performance IQ of 100. The best-performing company, Reebok, had an IQ of 123, while National Intergroup, a Pittsburgh pharmaceutical distribution company, brought up the rear with an IQ of 82. (Last year's dullard, BankAmerica, improved its IQ from 76 to 86, no mean feat given the way IQ scores are constructed.)

Of course, performance isn't the only element you would expect to influence CEO pay. I also considered company size, business risk, the CEO's tenure, and many other

LOW PAY, TOP PERFORMANCE

Wal-Mart's Sam Walton

UAL's Stephen Wolf

. . . and those who lagged furthest behind

	CEO	COMPANY	PERFORMANCE IQ	COMPENSATION in thousands ACTUAL	MODEL	PERCENT LOWER
152	Ronald W. Allen	DELTA AIR LINES*	97	$533	$1,178	−55%
153	E. Dean Werries	FLEMING COS.	96	$563	$1,301	−57%
154	Herbert D. Conant	TURNER	92	$396	$924	−57%
155	M. R. Greenberg	AMERICAN INT'L GROUP	103	$975	$2,349	−58%
156	Stephen M. Wolf	UAL	108	$594	$1,433	−59%
157	Richard A. Clarke	PACIFIC GAS & ELECTRIC	96	$455	$1,151	−60%
158	George M. C. Fisher	MOTOROLA	95	$708	$1,865	−62%
159	Lew R. Wasserman	MCA	97	$582	$1,563	−63%
160	Harold B. Finch Jr.	NASH-FINCH	100	$338	$1,010	−67%
161	Sam M. Walton	WAL-MART STORES*	120	$325	$1,954	−83%

pay as if it reflected just such factors. Deviations, seen in the far right-hand columns, don't necessarily mean a CEO is overpaid or underpaid, but they're reason for a closer look.

factors (detailed below) and for each company entered these data into a computer along with the CEO's pay. Using the statistical technique of multiple regression analysis, I determined how strongly each factor actually influenced pay in the group overall. Then I applied this information to each CEO's case to see how he *would* have been paid if his board of directors had followed the norms of this 161-company group. That's the "model" compensation figure in the accompanying tables. It is different for each CEO, since each represents a unique set of circumstances. And often it's far different from what that CEO actually received.

NME's Richard Eamer

Just because my study shows someone as high or low isn't proof that the person is overpaid or underpaid. But if the deviation is significant enough, a look behind the numbers makes sense. Perhaps the CEO is being paid in advance of a turnaround that the board hopes will materialize. Perhaps the company has had to pay dearly to recruit a superstar or to keep the one it believes it already has. But perhaps, at the end of the day and after all the performance measures have been put on the table and all the rationalizations seen for what they are, the board just isn't doing its job.

Consider the ten CEOs who most exceeded their predicted pay (see table). Leaving out Morgan Stanley, which has been public for less than five years, and AMR, which has had mixed performance over the past five years, this turns out to be not one group but two—let's call them the White Hats and the Black Hats.

Bally's Robert Mullane

In the White Hat group we have Gulf & Western, Walt Disney, Reebok, Coca-Cola, and Great Atlantic & Pacific Tea. The CEOs of these five companies need not take a back seat to anybody. Their average Performance IQ is 111, and over the past five years they have produced a walloping 32% compounded annual total return to investors. These CEOs took a lot of money

REPORTER ASSOCIATE *Constance A. Gustke*

CEOs who exceeded the computer model's pay

	CEO	COMPANY	PERFORMANCE IQ	COMPENSATION in thousands		
				ACTUAL	MODEL	PERCENT HIGHER
11	Robert D. Krebs	SANTA FE SOUTHERN PACIFIC	90	$1,590	$807	97%
12	J. Peter Grace	W.R. GRACE	92	$2,498	$1,305	91%
13	Rand V. Araskog	ITT	95	$4,439	$2,365	88%
14	Lyle Everingham	KROGER	101	$2,347	$1,339	75%
15	Armand Hammer	OCCIDENTAL PETROLEUM*	95	$2,495	$1,449	72%
16	William P. Stiritz	RALSTON PURINA	117	$4,099	$2,502	64%
17	B. F. Dolan	TEXTRON	97	$2,362	$1,483	59%
18	John H. Gutfreund	SALOMON	101	$4,159	$2,691	55%
19	August A. Busch III	ANHEUSER-BUSCH	107	$3,688	$2,454	50%
20	F. Ross Johnson	RJR NABISCO	109	$3,453	$2,424	42%
21	William A. Schreyer	MERRILL LYNCH	94	$3,047	$2,188	39%
22	Andrew C. Sigler	CHAMPION INTERNATIONAL	94	$2,458	$1,780	38%
23	Dean L. Buntrock	WASTE MANAGEMENT	110	$3,312	$2,417	37%
24	Richard L. Gelb	BRISTOL-MYERS	108	$4,052	$2,964	37%
25	John W. Teets	GREYHOUND	95	$1,895	$1,400	35%
26	Hays T. Watkins	CSX	93	$1,346	$1,000	35%
27	J. L. Ketelsen	TENNECO	95	$1,736	$1,330	31%
28	Zane E. Barnes	SOUTHWESTERN BELL	101	$2,015	$1,605	26%
29	David C. Farrell	MAY DEPARTMENT STORES*	102	$1,949	$1,588	23%
30	A. W. Clausen	BANKAMERICA	86	$1,529	$1,266	21%
31	John A. Young	HEWLETT-PACKARD	101	$2,277	$1,888	21%
32	Jack MacAllister	U.S. WEST	101	$1,617	$1,354	19%
33	Richard J. Mahoney	MONSANTO	98	$1,612	$1,392	16%
34	Thomas E. Bolger	BELL ATLANTIC	103	$1,521	$1,329	14%
35	John H. Bryan Jr.	SARA LEE*	107	$2,663	$2,339	14%
36	Anthony J.F. O'Reilly	H.J. HEINZ*	109	$2,124	$1,880	13%
37	Ray B. Mundt	ALCO STANDARD	99	$1,435	$1,324	8%
38	Robert A. Hanson	DEERE	91	$1,050	$970	8%
39	Charles F. Knight	EMERSON ELECTRIC	102	$1,811	$1,677	8%
40	Richard J. Flamson III	SECURITY PACIFIC	98	$2,265	$2,123	7%
41	H. B. Atwater Jr.	GENERAL MILLS*	110	$1,669	$1,571	6%
42	George M. Keller	CHEVRON	98	$1,712	$1,627	5%
43	Richard M. Morrow	AMOCO	102	$1,696	$1,612	5%
44	T. Marshall Hahn	GEORGIA-PACIFIC	98	$2,045	$1,946	5%
45	Ted C. Wetterau	WETTERAU*	102	$1,240	$1,185	5%
46	John R. Hall	ASHLAND OIL	99	$1,353	$1,299	4%
47	Vernon R. Loucks Jr.	BAXTER INTERNATIONAL	93	$1,442	$1,391	4%
48	Drew Lewis	UNION PACIFIC RAILROAD	96	$1,461	$1,421	3%
49	Charles E. Exley Jr.	NCR	101	$2,588	$2,532	2%
50	W. M. Blumenthal	UNISYS	97	$2,080	$2,036	2%
51	Edward L. Hennessy	ALLIED-SIGNAL	96	$2,267	$2,235	1%
52	David H. Murdock	CASTLE & COOKE	94	$1,558	$1,543	1%
53	Walter V. Shipley	CHEMICAL BANKING	94	$1,758	$1,745	1%
54	J. F. McGillicuddy	MANUFACTURERS HANOVER	92	$1,755	$1,753	0%
55	Charles M. Harper	CONAGRA*	106	$1,809	$1,808	0%

CEOs who trailed the computer model's pay

						PERCENT LOWER
56	Kenneth A. Macke	DAYTON HUDSON	98	$1,416	$1,417	0%
57	Darwin E. Smith	KIMBERLY-CLARK	104	$1,573	$1,585	−1%
58	Howard M. Love	NATIONAL INTERGROUP*	82	$740	$755	−2%
59	Allen E. Murray	MOBIL	100	$2,444	$2,499	−2%
60	L. S. Skaggs	AMERICAN STORES*	99	$1,205	$1,237	−3%
61	W. C. McCord	ENSERCH	87	$679	$706	−4%
62	Donald E. Petersen	FORD MOTOR	117	$4,073	$4,239	−4%
63	J. D. Robinson III	AMERICAN EXPRESS	103	$4,122	$4,300	−4%
64	Vincent A. Sarni	PPG INDUSTRIES	103	$1,791	$1,877	−5%

*1987 data

out of their companies, but they undoubtedly left enormous sums for their shareholders—far more than those shareholders could ever reasonably have expected to receive. Sure, you could argue that these men are paid too much. But with performance like this, who wants to argue?

In the Black Hat group we have National Medical Enterprises, Bally Manufacturing, and USX. The CEOs of these companies take a back seat to almost everybody. Their average Performance IQ is 92, and over the past five years they have produced a 2% compounded annual total return to investors. Shareholders would have been far better off putting their money in 90-day T-bills than investing in these companies, and they would have had hugely less risk. These CEOs took a lot of money out of their companies, and they left precious little for their shareholders.

A&P's James Wood

Does any logic lurk amid the apparent capriciousness of CEO pay? Yes, a bit. Some factors you would expect to influence top-level compensation actually do—a little. They are:

■ **SIZE.** Running General Motors may not be twice as challenging as running a company with half its sales, but it is at least a bit more challenging. The study examines a combination of company sales, total assets, and shareholders' equity to gauge size. It finds that, other things being equal, a 10% increase in size actually translates into a 2% increase in CEO pay.

■ **PERFORMANCE.** A change in Performance IQ from 100 to 110—a very considerable increase on this scale—raises the CEO's pay 26%. That's a decline from last year, when the increase was 31%. The average performance IQ of the ten companies that pay relatively the least to their CEOs is 100. Yet the average performance IQ of the ten companies that pay relatively the most to their CEOs is only 103.

■ **BUSINESS RISK.** The Beta on the company's stock—a measure of its relative price volatility—reflects the fact that some

CEOs who trailed the computer model's pay

	CEO	COMPANY	PERFORMANCE IQ	COMPENSATION in thousands		
				ACTUAL	MODEL	PERCENT LOWER
65	John G. Smale	PROCTER & GAMBLE*	101	$1,450	$1,533	−5%
66	William D. Smithburg	QUAKER OATS*	108	$1,490	$1,583	−6%
67	Lee A. Iacocca	CHRYSLER	109	$5,874	$6,251	−6%
68	Lodwrick M. Cook	ATLANTIC RICHFIELD	102	$1,767	$1,886	−6%
69	Thomas L. Phillips	RAYTHEON	103	$1,126	$1,216	−7%
70	David A. Jones	HUMANA	100	$1,090	$1,196	−8%
71	Philip E. Lippincott	SCOTT PAPER	102	$1,351	$1,475	−8%
72	Robert E. Mercer	GOODYEAR TIRE & RUBBER	101	$1,279	$1,413	−9%
73	Robert Schoellhorn	ABBOTT LABORATORIES	113	$2,421	$2,676	−10%
74	Lewis T. Preston	J.P. MORGAN	101	$2,088	$2,329	−10%
75	Charles S. Sanford Jr.	BANKERS TRUST NY CORP.	98	$2,220	$2,483	−11%
76	John F. Welch Jr.	GENERAL ELECTRIC	108	$4,467	$5,019	−11%
77	Orion L. Hoch	LITTON INDUSTRIES	97	$1,336	$1,520	−12%
78	Edmund T. Pratt Jr.	PFIZER	104	$2,810	$3,201	−12%
79	David S. Tappan Jr.	FLUOR	86	$960	$1,097	−12%
80	Thomas F. Frist Jr.	HOSPITAL CORP. OF AMERICA	94	$1,332	$1,526	−13%
81	G. B. Mitchell	DANA	98	$1,084	$1,242	−13%
82	Anthony R. Hamilton	AVNET*	90	$1,189	$1,364	−13%
83	Allen F. Jacobson	MINNESOTA MINING & MFG.	104	$1,399	$1,614	−13%
84	James E. Burke	JOHNSON & JOHNSON	108	$1,988	$2,354	−16%
85	James W. Kinnear	TEXACO	91	$1,424	$1,710	−17%
86	Reuben Mark	COLGATE-PALMOLIVE	102	$1,481	$1,790	−17%
87	Robert D. Kennedy	UNION CARBIDE	103	$1,586	$1,923	−18%
88	W. R. Howell	J.C. PENNEY	101	$1,042	$1,264	−18%
89	O. S. Wyatt Jr.	COASTAL	99	$1,066	$1,299	−18%
90	D. O. Andreas	ARCHER DANIELS MIDLAND*	98	$1,104	$1,346	−18%
91	R. Gordon McGovern	CAMPBELL SOUP	101	$1,068	$1,316	−19%
92	Richard E. Heckert	DU PONT	102	$2,036	$2,517	−19%
93	Thomas W. Field Jr.	MCKESSON*	98	$1,215	$1,510	−20%
94	Wilton Looney	GENUINE PARTS	103	$767	$956	−20%
95	John L. Clendenin	BELLSOUTH	103	$1,229	$1,539	−20%
96	John F. Woodhouse	SYSCO	103	$1,150	$1,449	−21%
97	Edward A. Brennan	SEARS ROEBUCK	98	$1,535	$1,948	−21%
98	G. H. Weyerhaeuser	WEYERHAEUSER	96	$1,104	$1,406	−21%
99	John C. Marous	WESTINGHOUSE ELECTRIC	104	$1,459	$1,863	−22%
100	Edward L. Addison	SOUTHERN	98	$828	$1,060	−22%
101	Roger B. Smith	GENERAL MOTORS	105	$2,341	$3,030	−23%
102	Emil P. Martini Jr.	BERGEN BRUNSWIG	97	$1,072	$1,401	−23%
103	R. J. Ventres	BORDEN	104	$1,477	$1,931	−24%
104	John A. Georges	INTERNATIONAL PAPER	96	$1,434	$1,973	−27%
105	Kenneth H. Olsen	DIGITAL EQUIPMENT	103	$2,139	$2,967	−28%
106	Willard C. Butcher	CHASE MANHATTAN	95	$1,662	$2,312	−28%
107	John S. Reed	CITICORP	98	$2,177	$3,035	−28%
108	Delbert C. Staley	NYNEX	102	$1,250	$1,745	−28%
109	Colby H. Chandler	EASTMAN KODAK	101	$1,257	$1,792	−30%
110	James L. Johnson	GTE	100	$1,143	$1,665	−31%
111	William O. Bourke	REYNOLDS METALS	98	$1,115	$1,632	−32%
112	Walter F. Williams	BETHLEHEM STEEL	88	$729	$1,071	−32%
113	Charles W. Moritz	DUN & BRADSTREET	111	$1,717	$2,566	−33%
114	Stanley C. Pace	GENERAL DYNAMICS	100	$1,218	$1,830	−33%
115	Thomas S. Murphy	CAPITAL CITIES/ABC	104	$1,547	$2,324	−33%
116	P. Roy Vagelos	MERCK	122	$2,702	$4,122	−34%
117	Thomas Cruikshank	HALLIBURTON	86	$738	$1,126	−34%
118	Joseph J. Pinola	FIRST INTERSTATE BANCORP	91	$1,193	$1,821	−34%
119	D. Wayne Calloway	PEPSICO	109	$2,021	$3,102	−35%
120	James R. Eiszner	CPC INTERNATIONAL	107	$1,519	$2,362	−36%

*1987 data.

businesses are a lot riskier than others. Increasing your Beta from the normal value of 1.00 to 1.10 translates into a 5% increase in pay, the same increase as last year.

■ **COMPENSATION RISK.** A base salary carries virtually no risk—it is almost never cut—and past studies I have conducted show that so-called short-term incentive awards don't carry much more. Restricted stock grants also have little risk, since the executive receives all of a share's value and the dividends to boot. But stock options are something else. They reward the executive only if the stock rises. As any sophisticated investor knows, options are inherently riskier than a company's underlying stock: If the Beta of a company's stock against the overall market is, say, 1.00, the Beta of its stock options against the overall market may be 2.00 or even higher. As a gauge of an executive's compensation risk, I analyzed the percentage of the total compensation package deriving from stock option gains. The average was 10%. When the proportion rises to 20%, the greater weight of the options means the CEO is taking greater risk. In this group, his pay accordingly rises 6%.

■ **TENURE.** Despite frequent talk about cronyism between chiefs and directors, a long-serving CEO—one who not only knows his outside directors exceedingly well but also was probably instrumental in their selection—earns less than a new hire. Other things being equal, a CEO earns 8% *less* pay for every ten extra years of service with his company.

■ **INDUSTRY.** In last year's study two major industries, transportation and utilities, paid substantially less than other industries after all factors just discussed were held constant. A third industry, retailing, was close to joining the low-paying group. In this year's study transportation paid 24% less than average, and retailing 28% less. The utility industry has been restored to full compensation health—or at least the industry's telecommunications component has. It's hard to think of the Baby Bells as babies anymore when you look at what they're paying. But their poor cousins, the power utilities, are still poor in terms of CEO pay and getting relatively poorer by the year.

■ **LOCATION.** Everybody says you'd be crazy to work in New York City except for a ton of money. Well, they're right. Other things being equal, working in New York

CEOs who trailed the computer model's pay

	CEO	COMPANY	PERFORMANCE IQ	COMPENSATION in thousands		
				ACTUAL	MODEL	PERCENT LOWER
121	Paul H. O'Neill	ALUMINUM CO. OF AMERICA	95	$1,113	$1,735	−36%
122	James T. Lynn	AETNA LIFE & CASUALTY	97	$1,441	$2,254	−36%
123	James J. Renier	HONEYWELL	87	$580	$931	−38%
124	Robert F. Daniell	UNITED TECHNOLOGIES	96	$1,228	$1,980	−38%
125	Edward H. Budd	TRAVELERS	94	$975	$1,610	−39%
126	William J. Alley	AMERICAN BRANDS	104	$1,427	$2,364	−40%
127	Frank P. Popoff	DOW CHEMICAL	108	$1,433	$2,415	−41%
128	Hamish Maxwell	PHILIP MORRIS	114	$2,232	$3,762	−41%
129	M. Anthony Burns	RYDER SYSTEM	98	$1,230	$2,106	−42%
130	Joseph E. Antonini	K MART	100	$938	$1,633	−43%
131	George A. Schaefer	CATERPILLAR	94	$723	$1,262	−43%
132	Jerry R. Junkins	TEXAS INSTRUMENTS	95	$927	$1,630	−43%
133	John R. Stafford	AMERICAN HOME PRODUCTS	113	$1,542	$2,718	−43%
134	Steven G. Rothmeier	NWA	93	$655	$1,167	−44%
135	Brenton S. Halsey	JAMES RIVER*	98	$984	$1,761	−44%
136	Jack Twyman	SUPER FOOD SERVICES	101	$589	$1,057	−44%
137	Robert Van Tuyle	BEVERLY ENTERPRISES	86	$646	$1,169	−45%
138	Norman R. Augustine	MARTIN MARIETTA	102	$926	$1,713	−46%
139	Lawrence O. Kitchen	LOCKHEED	103	$1,243	$2,326	−47%
140	Harvey H. Lamm	SUBARU OF AMERICA	92	$561	$1,065	−47%
141	Michael W. Wright	SUPER VALU STORES*	102	$850	$1,615	−47%
142	Thomas V. Jones	NORTHROP	96	$790	$1,524	−48%
143	C. J. Silas	PHILLIPS PETROLEUM	100	$761	$1,498	−49%
144	David T. Kearns	XEROX	95	$1,284	$2,528	−49%
145	Laurence A. Tisch	CBS	110	$1,262	$2,486	−49%
146	John F. Akers	IBM	110	$1,957	$3,879	−50%
147	Frank Shrontz	BOEING	100	$887	$1,796	−51%
148	Lawrence G. Rawl	EXXON	112	$1,872	$3,810	−51%
149	Walter L. Weisman	AMERICAN MEDICAL INT'L	92	$650	$1,352	−52%
150	Henry Wendt	SMITHKLINE BECKMAN	109	$757	$1,592	−52%
151	Francisco A. Lorenzo	TEXAS AIR*	97	$1,018	$2,240	−55%

152-161 are listed on page 89.

THE 1989 PROXY OBFUSCATION AWARD

Six of the seven Baby Bells follow Ma's lead in providing full, clear disclosure of their CEOs' salaries and bonuses. But not Bell Atlantic. Its proxy states that CEO Thomas E. Bolger earned $694,500 in "Cash Compensation" last year. That term normally comprises salary and bonus—what else would it mean?—and the proxy does not define it otherwise. Later one learns that Bolger's 1988 bonus was $592,400. Logical conclusion: His base salary was the difference, $102,100.

Logical but wrong. Intensive sleuthing through pages of gray type reveals that the bonus is not included in the cash compensation figure. To get Bolger's real cash pay, you must add the two numbers together. Total: $1,286,900.

Not every company takes the low road in proxy disclosure. AMR and McKesson both provide examples of straightforward disclosure. And Citicorp, the winner of last year's proxy obfuscation award, has cleaned up its act.

Bell Atlantic's Bolger

brings a 25% increase in pay. In last year's study the differential was only 7%, but last year that key component of New York business, the financial services industry, was grounded on the runway by a violent thunderstorm over the New York area on October 19, 1987. Today it has resumed its proud role of flying fighter cover for American executive compensation levels. Los Angeles's differential, at 21%, is nearly as great as New York's, but no other major city offers higher than average pay. San Francisco, for example, is thought to be as expensive a place to live as L.A., but there's no extra pay associated with working there. Of course, San Franciscans are not required to ante up for the gold chains and chest hair transplants that pass for haute chic in Southern California. One city does seem to qualify for a negative pay differential. That's Bentonville, Arkansas, headquarters metropolis of our best-buy CEO, Wal-Mart's Sam Walton.

All told, the above factors account for only 39% of the variation in CEO pay, the same percentage as last year. My study also considered the CEO's age and years in the top job (as opposed to total years with the company) and found they had no correlation with CEO pay.

SOME ECONOMISTS believe that even though pay and performance may not relate closely at a specific moment, there is at least a strong relation over time. Checking this study over the past two years, the conclusion is: Forget it. Among the 131 companies in both studies there is absolutely no relation between change in Performance IQ and change in CEO pay. There isn't even any relation between change in company size and change in CEO pay. So the popular notion that companies pay for growing sales, though not necessarily growing profits, is equally discredited.

The two-year data did turn up one excellent predictor of a CEO's pay in 1988: his pay in 1987. The correlation was a very high 72%, nearly twice as great as the correlation with all the combined sense-making factors cited above.

Depressing? Certainly. But if CEO pay doesn't make much sense—and in the big picture it doesn't—it's hard to blame the CEOs. Yes, they probably handpicked their companies' directors. But those directors are more likely than ever to be outsiders. Deep down inside they know how their CEO really performed, and they know their duty. It's up to them to earn their fees and do it. F

TWO TOOTHLESS PAY PLANS . . .

In pay as in all things, risk and reward should go together. But sometimes they don't. Consider:

■ We all know about Pennzoil's $3 billion victory over Texaco. Pennzoil's board showed its gratitude by granting CEO J. Hugh Liedtke a $10 million one-time bonus. Nothing wrong there. He won for his shareholders, and he won for himself.

Now let's visit the loser's corner. Texaco has long offered key executives dividend equivalents (DEs). Each DE entitles the holder to an annual cash payment equal to the dividend on one common share. But when Texaco filed for Chapter 11 bankruptcy protection to escape, albeit temporarily, the Pirates of Pennzoil, there went the dividends.

That hurt shareholders, but Texaco's board gallantly stepped in to protect top executives. It quickly adopted a new plan, the Key Employee Retention Program, which gave executives an amount equal to approximately 90% of the aggregate DE payments they had received in 1986 and 1987. Texaco CEO James Kinnear didn't get that cash bailout—but instead was granted another 42,233 DEs, good for whenever dividends might be resumed. Now Texaco plans special dividends of $8 per share, worth another $338,000 to Kinnear. Of course he also stands to receive further compensation in future years as long as he holds the extra DEs.

ALAN D. LEINWOLL-CNYI

Northrop's Jones

ANDREW POPPER-PICTURE GROUP

Texaco's Kinnear

■ Northrop granted CEO Thomas V. Jones options on 1.2 million shares during 1985 and 1986. The exercise price was $45.88 per share, which was about the market price at the time of the grant. Since then the stock has plunged. But not to worry. Northrop's board permitted Jones, who plans to retire as CEO this year but remain chairman, to exchange his shopworn options for 1.2 million new ones with an exercise price of $29.88 per share—a potential windfall for presiding over a huge decline in the price of his company's stock.

. . . AND ONE WITH REAL RISK

The biggest news about Mike Eisner's pay isn't that $33 million option gain he took last year, but his new contract. His old agreement, due to expire next year, turned out to be one of the richest in U.S. business, but it was also among the riskiest. It froze his salary at $750,000—not a ton in Hollywood and a fraction of what he had been making at his previous employer, Paramount. Yet it also gave him 2% of all profits that exceeded a 9% return on equity, which is a percentage point above what the company was earning when he joined in 1984. And it gave him options on two million shares at the market value of $14 a share. Eisner made himself wealthy under the deal by raising ROE to 25% and the stock price to a recent $84. Investors aren't complaining.

BONNIE SCHIFFMAN-CNYI

Disney's Eisner

A declaration about the new agreement: Disney's board consulted me on it. So I'm not unbiased, but I do know how it works. Eisner's base pay will stay frozen at $750,000 a year through 1998. I don't know another major CEO who has had his salary frozen for 14 years. The threshold in his bonus formula will rise from a 9% ROE to 11%; he will still get 2% of profits above the threshold. And he gets options on another two million shares, but with a twist—1.5 million shares at $69, the market price at the time of the agreement, and 500,000 at $79 a share, a higher hurdle and a virtually unprecedented arrangement.

SO WHAT *IS* THE BEST WAY TO PAY?

Chief executives differ over that question, the latest FORTUNE 500/CNN Moneyline CEO Poll shows. But they want more emphasis on the long term.

■ *by Carrie Gottlieb*

AMERICA'S top chief executives are sharply divided over some of the most basic principles of how they are paid. Is their compensation sufficiently linked to performance? About half say yes, half no. Do big annual bonuses orient them too much toward the short term? Again the split is almost exactly even. Whatever their views on these questions, most agree that the best way to improve the way CEOs are compensated is to tie pay more closely to the company's *long-term* performance.

These findings come from the latest FORTUNE 500/CNN Moneyline CEO Poll, conducted from April 24 to May 3 by Clark Martire & Bartolomeo, an independent opinion research firm. Respondents were 214 CEOs of FORTUNE Industrial 500 and Service 500 companies.

Previous polls have shown that corporate chiefs consider short-term orientation one of the greatest dangers facing U.S. business. While they disagree about the role of annual bonuses in perpetuating it, they believe that CEO pay procedures should be changed to address the problem. Many CEOs believe their financial rewards should be based on how well they manage their companies over three to five years. They favor tying more of their compensation to stock ownership plans, which bind their interests more closely to shareholders'. A few even advocate reducing the growth of base salaries as part of this shift.

Stock options are already on the rise. A study by Towers Perrin, a major compensation consulting firm, found that options exercised by CEOs from 40 of America's largest corporations last year were almost as lucrative as salaries and bonuses combined. The average gain on exercised stock options among these chiefs was $916,936, compared with average salary and bonus totaling $1.2 million. Both forms of compensation increased substantially over 1987: Stock option gains rose 40%, while salaries and bonuses went up 14%.

The increase in option gains may just reflect CEOs' views that the stock market's strong rise since 1982 hasn't long to run, so it's time to exercise options. Or it may embody a healthy trend toward making managers more like owners. Says Marion Sandler, chief of Golden West Financial: "Most CEOs are hired guns. I think all this activity in leveraged buyouts demonstrated that they need a stake in the company." L. E. Coleman of Lubrizol, a specialty-chemicals firm, believes that executives should "receive a little more compensation from incentives and a little less from base salary. Shareholders are more comfortable knowing that management is being paid to accomplish certain goals. And that means increasing shareholder value." Ronald Haddock of American Petrofina prescribes "a substantial element of deferred compensation to be awarded as a function of earnings over five years."

"CEOs should receive a little more from incentives and a little less from base salary."

L.E. COLEMAN
Lubrizol

TAKING THE OPPOSITE view is Longview Fibre's Richard Wollenberg, a self-described iconoclast who advocates only a conservative base salary and rare year-end bonuses when the CEO has performed exceptionally well in good times or bad. Says Wollenberg: "I'm against the incentives and exorbitant salaries that executives pay themselves. People forget their fiduciary responsibility. No matter how you pay CEOs, it costs the stockholders." It's worth noting that Wollenberg and his wife own 1.8% of Longview's shares, recently worth around $15 million. Richard Zimmerman of Hershey Foods also belongs to the minority who think compensation at the top has gone too

Q In general, is CEO pay linked to performance as much as it should be?

A

Yes	51%
No	48%
Not sure	1%

Q Do sizable annual bonuses orient a CEO too much toward the short term?

A

Yes	48%
No	47%
Not sure	5%

Q If a compensation consultant helps set CEO pay, should he be hired by the compensation committee or by the company?

A

Committee	66%
Company	17%
Both	3%
No difference	9%
Not sure	5%

Q Do you serve on the compensation committee of another company's board?

A

Yes	56%
No	44%

"I have a private conviction that CEOs are paid too much."

RICHARD ZIMMERMAN
Hershey Foods

"Some entertainers get a windfall with a lot of hype. There's a serious double standard."

RUSSELL HANLIN
Sunkist Growers

far. He says, "I have a private conviction that CEOs are paid too much."

CEO pay, from whatever source, is far higher than ever and on average has been growing much faster than that of U.S. workers. Most CEOs defend their paychecks, sometimes citing the enormous fees earned by investment bankers and takeover attorneys. The theory goes that if these asset shufflers can make millions, certainly the chief of a major corporation—who, for example, manages 100,000 people, serves a million shareholders, and contributes something tangible to the economy—deserves to be paid accordingly. Russell Hanlin of Sunkist Growers adds another argument: "A CEO has worked a lifetime before his or her compensation gets into the high figures. Some entertainers get a windfall with little preparation and a lot of hype. We have more impact on the economy, on jobs and good wages. Yet the public seems to have a deep resentment of business and public officials who often make less extraordinary amounts. There's a serious double standard."

WHAT IS the fairest method of providing compensation? CEOs are the first to admit they are downright confused. Says Avram Goldberg of Stop & Shop: "I am leery of experts who say they have the answers. I have spent some 30 years discussing incentives—short-range, long-range, stock options, phantom options—and the longer I look at this, the more I realize there are no simple answers."

CEOs agree their pay should be based on several factors that include earnings per share, return on stockholders' equity, and how well they have weathered economic storms that were beyond their control. Beyond those generalizations, they resist formulas. Says Pfizer chief Edmund Pratt: "I've been on compensation committees of other companies, and you shouldn't try to fit CEO compensation into too narrow a standard mold. That's faulty logic." Pratt also believes that "the simpler the pay arrangements, the better. But we seem to be going in the opposite direction." Adds John Burns of Vista Chemical: "Too much compensation is based on a survey of what the other guy is earning, rather than the company's rate of return."

Wallace D. Malone Jr., head of SouthTrust Corp., offers a solution that makes sense to many of his peers: "I would divide compensation into two parts, one based on short-term performance and the other based on long-term, with more weight given to the long-term—no less than three years and no more than five years." Litton Industries' Orion Hoch advocates "a balance between short-term and long-term performance that is particular to each company's needs, and flexible enough to change with time and circumstance."

Avoiding formulas means relying on the discretion of the board's compensation committee, and with many CEOs that's just fine. A little over half of them serve on compensation committees of other companies. Says Halliburton's Thomas Cruikshank: "Restricting damage in a down market may be tougher than making money in a market that's growing. There are times when Houdini himself couldn't change a bad environment, so members of the board's compensation committee should always be aware of the problems the CEO faced and how well he performed."

Cruikshank concedes that committees aren't always so objective, but he sees that changing. Two-thirds of those polled said compensation consultants should be hired by the committee rather than by management. That arrangement, which avoids making the consultant recommend a compensation package for the man who's paying his bill, is rare today.

Shareholders are increasingly asking boards to justify executive pay. ITT's Rand Araskog says, "A compensation committee should consist of at least four people and should include active, not retired, CEOs of other companies. No one on the committee should be a personal friend or a longtime business associate of the CEO prior to becoming a member of the committee."

"I'm against the incentives and exorbitant salaries that executives pay themselves."

RICHARD WOLLENBERG
Longview Fibre

For all their differing opinions on compensation, not one CEO interviewed for this survey complained he was paid too little, though some were proud to point out that their salaries are below those of direct competitors. In general, CEOs are satisfied with their pay. Few ever switch jobs because they are offered more money. But if so many of them agree changes are in order, and are willing to link more of their pay to riskier long-term plans, shareholders may just want to take them up on the offer. F

Q A What are the best ways to improve CEO compensation?

Tie a greater portion of compensation to long-term performance	**31%**
Increase stock options	**17%**
Balance short and long-term performance	**15%**
Award "balloon payment" bonuses at the end of three to five years if goals are achieved	**7%**

Other responses include: Vary salary and bonus according to annual performance, leave annual pay to compensation committee's discretion, make no changes.

THE UNCOMMITTED CLASS OF 1989

This year's college grads aren't into permanence. They show no loyalty toward their corporate employers and expect none in return. It may be a perfect match. ■ *by Terence P. Paré*

WHILE THEIR baby-boomer counterparts of the 1960s sat in at universities, stood up for civil rights, and danced to the music of Sly and the Family Stone, the college class of 1989 was just learning to walk. Times a-changed. Now those who toddled in 1968 stand on the doorstep of the 1990s, mortarboard on head, tassel to the left.

These young men and women are confident, ambitious, and smart—when they applied to college their SAT scores were the highest in ten years. They are also out for themselves. Says Skip Sturman, director of career and employment services at Dartmouth: "The worst fear these kids have is commitment."

Seldom have the personal attitudes of a graduating class meshed so neatly with the needs of business. The class of 1989 is entering a corporate world that is just as averse to the "C" word. Restructuring has flattened organization charts, pared unprofitable businesses, and severed many of the ties that traditionally bound a company to its workers. Lifelong employment is now the exception; no deal is permanent. Says David L. Birch, a consultant and author of *Job Creation in America: 1985-1995*, "There is no grand design, and the kids know it."

The trick now is for graduates and those who hire them, supervise them, and work with them to acknowledge how right each is for the other. Managed with an eye toward the new realities, these graduates may end up a flexible, creative, productive work force. Managed poorly, they could sour into a generation of jaded, dissatisfied employees who skip from firm to firm taking company secrets with them as they scratch what career counselors call "the 18-month itch."

This year's graduates are birth-dearthers. They are three years younger than the last of the baby-boomers, the enormous demographic bulge of 76 million men and women born from 1946 to 1964. With the labor pool growing less rapidly, the '89ers will have no trouble finding corporate jobs. Says Princeton University sociologist Marvin Bressler: "For years employers treated employees like commodities." Now employees can treat companies like commodities.

Hiring is up in almost all industries, according to Victor R. Lindquist, director of placement at Northwestern University, who studies employment trends for college graduates in business. The most sought-after jobs are in banking, management consulting, and engineering. According to Patrick Scheetz, who conducts an annual study at Michigan State University, average starting salaries for those with bachelor's degrees nationwide will be an estimated $23,810, vs. $22,980 last year. The best paid? Chemical engineers, whose starting salaries average just over $32,000.

Jobs are one thing, careers are another. Once they pass their pre-employment physicals, the new graduates will encounter not only a corporate ladder with fewer rungs,

REPORTER ASSOCIATE *David Kirkpatrick*

JONATHAN LEVINE—ONYX

Shearson gets recruits everywhere from Yale to the University of Western Ontario.

but also aging boomers occupying every one. Says David W. Rhodes, a human resources consultant with Towers Perrin: "The big question new employees will be asking over the next few years is 'Am I going to progress quickly?' And the answer is 'No.' "

Little wonder students seem to be majoring in what Brown University career counselor Victoria Ball calls "planned indecision." True, the kids are interviewing, and true, come September, most will be working, the overwhelming majority of them in business. But nothing is final. Says Virginia Stimpson, a class marshal for Harvard's graduates: "It all seems so random. People say, 'Ah, what the hell, I'll apply for this.' And then they're hired." Ambivalence reigns. Says Dartmouth's Sturman: "The watchword on campus now is: I'm keeping my options open."

Options include more school. Applications for law school are up 18% over last year, and medical schools are seeing their first increase in applicants since 1985. The number of people taking the Graduate Record Examination, the test most graduate schools require, is over 50% higher than it was five years ago. Test taking for business school continues at record levels. Students say the increase reflects not so much passionate interest in advanced academics as a desire to put off any hard and fast career decisions. Some red-hot jobs take advantage of this wish to hang fire. Top management consulting and investment banking firms pay new B.A.s up to $50,000 a year, including bonuses. But the jobs, internships really, usually last only two years. "After that," says senior after senior, "I'll probably go to business school. After that, I'll do something else."

Companies should recognize what makes the class of 1989 different. In the past, kids fresh out of college have been bewildered, alienated, or frighteningly avaricious. Think of Dustin Hoffman in scuba gear, looking up at life from the bottom of his parents' swimming pool in the 1967 movie *The Graduate*. Or recall Charlie Sheen's lucre-loving Bud Fox, bathing in the eerie light of his Quotron late into the night in *Wall Street*. Neither image fits this class. More in the swim of things than Hoffman's Benjamin Braddock, but less bent on money than Fox, they fall somewhere in the middle.

To be sure, the graduates are not exactly indifferent to the green stuff. The winning design for the official T-shirt of Harvard's class of 1989 displays the motto GOING FOR THE GOLD on the front. The meaning becomes clear on the back, which features a big gold credit card. Every year Alexander W. Astin, a professor at UCLA's Graduate School of Education, surveys the attitudes of the incoming freshman class. He discovered that 71% of the class of 1989 believed that "being very well off financially" was extremely important, while only 43% felt that way about "developing a meaningful philosophy of life." That's a big change even from the recent past: When members of the class of 1980 were polled, about 61% were very concerned about a philosophy of life, while 53% valued being well off. Another finding: The class of 1989 had startlingly "establishment" views on crime and punishment, even though most of them probably have not read the Dostoevski novel. Woe to Raskolnikov were these students his judges. Most said that they strongly supported the death penalty. Only about 20% thought marijuana should be legalized. This year's seniors also wanted government to do more to protect the environment and the consumer.

Because it is done when students are freshmen, Astin's study does not weigh the effect of a college education. But surveys done by CollegeTrack, a New York City market research and consulting firm, paint much the same picture. According to CollegeTrack, financial security is a major goal in life for 93% of college seniors. For 75% of them, the most important factor in selecting a college course was how helpful it would be to a career. Says Stuart Himmelfarb, president of CollegeTrack: "These people have focused on themselves. They've bought into the process."

And what a process it is. A sort of theater has sprung up around the business of hiring. Both sides are playing games, only the football is a job. Feints are common. Fred Madaus, placement director at the school of business at the University of Kansas, observes that recruiters like to see candidates who are "up to the eyeballs in campus activities." The reasoning: Active people are probably well organized; good

RICHARD HOWARD ©

At Harvard students put a new spin on "going for the gold" . . .

. . . while at Dartmouth, the Peace Corps pitches for volunteers.

At Berkeley the Fed beckons a backpacker to banking . . .

leaders in school are likely to make good leaders on the job; and the candidate who cares about others will be more prone to care about work. So counselors advise students to join something, anything, to list as an activity on their résumés. Cagey students oblige.

FOR STUDENTS the interview process has become less a mutual sharing of information than a rote performance. According to Valerie Dabady, a Brown senior headed for law school, the good interview becomes the one wherein you "say what the recruiter wants you to say." Hip job hunters push "talk smack," the throwaway conversation, usually about sports, that students think recruiters are addicted to. "Hockey players interview especially well," asserts Harvard senior Jennifer Samsel. "The word is investment banking recruiters love talk smack."

Companies can be equally slick. Recruiting literature understandably accentuates the positive, but often at the cost of providing more useful, honest information. Says William Corwin, assistant director of career services at Princeton: "Why can't companies just once include a picture of a guy working when it's dark outside?" In its employment literature, Saks Fifth Avenue frequently uses professional models—the kind who wear the clothes that don't fit anyone else—to represent its employees. You don't want to work with these beautiful people, you want to date them. Corwin holds up what he believes to be admirable recruiting material—no pictures, straightforward job descriptions, and salary information. It is for a Japanese company. He also commends Citicorp and Alex. Brown & Sons, the Baltimore investment bank, for their no-nonsense brochures.

What often gets lost along the way is straight talk. A senior told Merck that its low turnover rate was one of the primary reasons she signed on with the company. She also liked the pharmaceutical company's training program, figuring that it would make her a better candidate for business school in a few years—a career goal she didn't bother mentioning to Merck. Elizabeth Marsh, 21, a Princeton senior on her way to medical school, reports the advice students give each other at interview time: "Play by the rules. Tell them you love the company. Tell them you will never leave."

Employers respond in kind. William Kucker, the top recruiter for General Electric, says, "We're looking for people to make a commitment." But that company has eliminated 100,000 jobs over the past eight years. Students are quick to pick up on the contradiction. Says Barbara Waugh, Hewlett-Packard's worldwide recruiting manager: "Students are getting socialized by their schools and by the culture at large to be loyal to their own career rather than to the company." H-P, which does value employee loyalty, has a plan to counter the trend. Through its Student Employment and Education Development Program, the company identifies potential employees while they are still in college. H-P gives these students summer internships and keeps up with them during the school year by sending them company newsletters and subscriptions to technical journals.

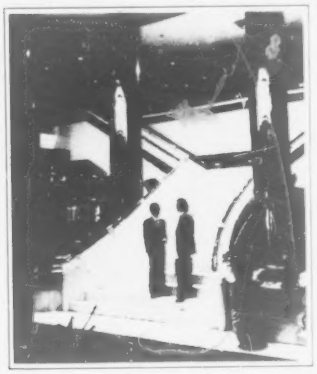
AS HEWLETT-PACKARD'S example suggests, a company that takes the trouble to figure out what's really driving students has a better chance of finding where its interests and theirs converge. Take the matter of money. The apparent greediness of many a student may be a reaction to the enormous financial burden of a college education. Four years at an Ivy League school costs about $80,000, including books, clothes, and miscellaneous expenses. Few families can afford that kind of money without tightening belts. An otherwise flippant young man who will soon start a job in management consulting shows a touch of abashment in explaining how he financed his education. "My parents are divorced. My father is an engineer for Boeing, but he refused to help. So I worked extra, and my mom took out a second mortgage on our house."

College seniors owe an estimated $10 billion in school loans, roughly what the entire country of Argentina owes to private U.S. banks. The discipline of debt is doing for graduates exactly what it is supposed to do for managers of a company leveraged to the moon in an LBO—it focuses attention on the business at hand.

But this year's group is not quite so greedy as the would-be yuppies who cakewalked to Wall Street or into corporations during the avaricious Eighties. The gradu-

. . . and at Rice University in Houston, a job fair attracts both buyers and sellers.

Welcome to the heart of Beijing



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ates have seen many of those who have gone before wander back to dear old Alma Mater, shellshocked from the 1987 crash, restructured into unemployment, or simply disillusioned. "I ran into a guy I know from school who had gone into investment banking a couple of years ago," says Alix Pustilnik, 21, a Columbia senior who has a public service fellowship for next year. "He was really bright. But he had been laid off. He was living at home with his parents."

It all adds up to still more confusion. Liggy Chien, 21, who just graduated from Rice University and hopes to become a business consultant, makes being very well off financially *into* a meaningful philosophy of life. Says she: "What you need to make a difference in this world is money and influence." Chuck Cattano, who thinks his Berkeley classmates still cling to ideals, says: "You have to ask yourself, 'Do I have the time to change the world?' "

Some students think they do, an impulse employers should note. Enrollment in the Peace Corps, a way station for altruistic college grads in the past, is limited by its congressionally determined budget and lingers far below the organization's heyday in the mid-1960s. But interest is up. After bottoming out in 1987 at about 10,300, applications for the Peace Corps jumped 22% in 1988. For the first three months of this year, applications are up a further 33%.

THE CORPS has learned marketing. Its projects are no longer limited to teaching English and modern agriculture in the Third World. Now a volunteer could easily be involved in developing a local bank. Promotional material includes a list of "Notable Former Peace Corps Volunteers," broken down by present employment, which would come in mighty handy if you wanted to do a little networking after finishing up your two-year stint in South America. Vivian Hunt, another Harvard class marshal, gave up a $46,000 job offer from a top consulting firm to go to Senegal as a health worker. When she returns she would like to go into business, and after that join a nonprofit agency.

The increased interest in the Peace Corps reflects a broadening of concerns among the '89ers. Practically without exception, educators say volunteer work by students is increasing. One example: The Harvard House and Neighborhood Development Program, under which each undergraduate residence sends volunteers to act as mentors and coaches to elementary school students in a local neighborhood, has grown 38% over the past year.

A can-do, want-to-do attitude like this is good news for companies. Ernest L. Boyer, president of the Carnegie Foundation for the Advancement of Teaching and author of *College: The Undergraduate Experience in America*, finds much about U.S. higher education disappointing, but he lightens the gloom when it comes to the work ethic: "Employers will be dealing with young people who want to work."

To compete in the 1990s, companies will have to find new ways to engage the energies and ambitions of their employees. Simply redoing the organization chart will not be enough. Says Jerrold Bratkovich, managing director of the Hay Group for the western region: "What is needed is a total rethinking of job design." Rosabeth Moss Kanter in her new book *When Giants Learn to Dance* suggests one idea: jobs and compensation tied to projects, and somewhat independent of the typical corporate hierarchy. Another solution: more backing for teams dedicated to innovation, whether in products or processes. Companies will have plenty of time to experiment under the combined pressures of restructured organizations and a dwindling new labor force. The population of 22-year-olds won't pick up significantly until about 2002. F

WHAT GRADUATES STUDY . . .

DISCIPLINE	DEGREES CONFERRED		
	1984	1989	% CHANGE
BUSINESS	244,000	255,000	+4.5%
ENGINEERING	94,000	75,000	−20.2%
COMPUTER	32,000	41,000	+28.1%
LIBERAL ARTS	19,000	21,000	+10.5%

. . . WHAT THEY EARN

DEGREE	AVERAGE ANNUAL STARTING SALARY		
	1984	1989	% CHANGE
ENGINEERING	$32,072	$30,600	−4.6%
COMPUTER	$29,706	$27,756	−6.6%
BUSINESS	$23,817	$25,901	+8.8%
LIBERAL ARTS	$23,114	$24,348	+5.3%

EUROPE GOES WILD FOR YANKEE PCs

Shaping up for 1992, business is on a computer-buying boom. At one point Compaq Computer had to charter three cargo jets to bring in the goods. ■ *by Richard I. Kirkland Jr.*

WHAT PART of the world boasts the hottest market for personal computers? If you guessed the U.S.—and admit it, most of you did—you guessed wrong. The correct answer is Western Europe.

That's right, Europe. Gone is the mood of a few years back when French, German, and British executives phlegmatically held on to their wallets while PC fever swept America. "Now the Europeans are buying like crazy," marvels Bill Kirwin, an analyst with Gartner Group, a Connecticut-based consulting firm. Spurred mainly by the bustle to get ready for an integrated European market in 1992, sales of PCs used in business—as distinguished from cheap word processors or game-playing machines—climbed 25% in Europe last year, compared with 21% in the U.S. and 18% in Asia.

While many forecasters see growth slowing in the U.S., most think sales will remain robust across the Atlantic. Vittorio Cassoni, group managing director of Italian computer maker Olivetti, expects PC sales in Europe to rise by slightly less than 20% a year through 1992—nearly double the U.S. rate. According to Dataquest/IE, the Paris arm of the San Jose, California, market research firm, Western Europe's annual sales could surpass America's by the mid-1990s—a first in any segment of the $230-billion-a-year worldwide computer market.

If this is beginning to sound like another sad tale of lost American leadership, hold on. Five of the top seven PC sellers in Europe last year were American (see table). Should Europe emerge as the world's biggest PC market, the suppliers are bound to have a distinctly red-white-and-blue hue.

Though almost every major U.S. PC maker prospered in Europe last year, Compaq Computer of Houston went off the charts. Sales rose 151% to $734 million, and in the pre-Christmas rush the company had to charter three cargo jets to bring

From this squeaky-clean plant in Erskine, Scotland, Compaq scrambles to supply Europe.

PHOTOGRAPH BY PAUL LOWE—NETWORK

EUROPE'S TOP PC SELLERS

COMPANY	MARKET SHARE '88
IBM	26.6%
Olivetti	8.7%
Apple Computer	7.4%
Compaq Computer	7.1%
Hewlett-Packard	3.2%
Tandon	3.0%
Toshiba	2.6%

SOURCE: DATAQUEST/IE

parts from Texas because it couldn't book enough space on commercial flights. Predicts Eckhard Pfeiffer, a German who heads Compaq's international division: "With the sales momentum we are enjoying now, we should pass Apple and Olivetti this year to become the clear No. 2 to IBM in the European PC market."

Apple's 1988 sales nearly doubled, to $998 million. The company recently opened a research laboratory in Paris. Tandon of Moorpark, California, a onetime disk-drive maker that began selling PCs in Europe before entering the U.S. market, managed to grow fast enough to hang on to sixth place in Europe.

Even mighty IBM, whose dominant position in personal computers has been slipping at home and abroad, enjoyed at least one gratifying triumph. Its newest line of PCs, featuring IBM's proprietary microchannel architecture, proved a much bigger hit in Europe than in the U.S.

BY CONTRAST, the recent performance of Europe's homegrown PC makers has generally ranged from disappointing to disastrous. Thomson and Matra of France packed it in early this year, and in 1988 Ericsson of Sweden sold its personal computer division to Nokia of Finland. Olivetti of Italy managed to hold on to its No. 2 position behind IBM, but profits slumped badly in 1987 and were down by more than 10% last year. Mass-marketer Amstrad ran into supply problems that delayed the introduction of a new line of computers aimed at the business market. Analysts expect the company's profits to be down sharply this year.

The biggest losers weren't even PC makers. Two of Europe's computer stalwarts, Norsk Data of Norway and West Germany's Nixdorf, unexpectedly reported operating losses of more than $30 million each in 1988. Both companies make minicomputers, which have traditionally occupied the middle ground in price and performance between PCs and mainframes. But PCs designed around Intel's wildly successful 386 chip or Motorola's 68000 series chips can deliver the computing power of a mini at the price of a micro.

How will the Europeans fight back? Olivetti's Cassoni promises to be "among the first" to announce a machine based on Intel's latest superfast chip—the 486. He concedes that Olivetti lost market share when it took 18 months longer than Compaq to incorporate the Intel 386 chip into a PC. Brushing aside Compaq's plans to overtake Olivetti in Europe, Cassoni declares: "We intend to maintain our position behind IBM and to increase the gap between us and No. 3." Industry analysts are not sure whether Cassoni can do that, but they expect him to at least boost Olivetti's profits.

In such a red-hot market, any company not growing rapidly—and doing so on a Pan-European basis—risks falling behind for good. To avoid that fate a host of successful but nationally focused companies, such as Tulip Computers of the Netherlands, are rushing to open offices and expand sales across the Continent. But most are so tiny that growth alone, even at triple-digit rates, won't suffice.

That means mergers. Philips and Siemens—giants in many technologies but pipsqueaks in PCs—are acquiring smaller rivals to boost market share quickly. When Nokia paid some $210 million for Ericsson's office automation division, it instantly doubled sales of its data-processing group to a respectable $1.1 billion for 1988. Says Angela Dean, a London-based analyst with Morgan Stanley: "Over the next five years I expect to see a major restructuring of the European computer industry—done by Europeans rather than Americans."

Whatever elbowroom this shakeout creates in the European market is likely to be filled by Asians. "We want to be among the top five personal computer companies in Europe by 1992," says Stan Shih, chairman and founder of Taiwan's Acer Inc. Last year Acer's European revenues hit $115 million—enough to place it in the top 25, though still some giant steps short of Shih's goal. But don't laugh. Toshiba of Japan entered the market in 1985. Since then soaring European sales of its popular laptop machine have propelled Toshiba to seventh place, according to Dataquest/IE.

SO WHO WILL BE AROUND to supply Europe's post-1992 appetite for PCs? Among Europeans, Amstrad pops up in some crystal balls, mainly because the company was successful in marketing PCs throughout Europe. Skeptics note, however, that Amstrad has yet to prove itself in the corporate market.

Other favorites include Nokia, Siemens, and, of course, Olivetti. Toshiba and a couple of other Asian companies should make the cut. But dominating the winner's circle, analysts agree, will be the same crowd standing there now—the Americans.

That prospect may depress Eurochauvinists, but it shouldn't. PCs now sell for 15% to 30% more in Europe than in the U.S. Competition and more efficient distribution should result in sharply lower prices. Foreign direct investment is sure to rise too, which means more jobs. Tandon, Compaq, Apple, and other U.S. firms are shifting more production, research, and marketing activities to their European subsidiaries. Starting next year, Toshiba plans to supply Europe from a new laptop plant under construction in Bavaria.

Finally, the European companies that survive will be far more potent global competitors than they are today. Politicians and executives who feel threatened by restructuring may complain about the bruises this messy process inevitably entails. But lower prices, more jobs, and greater global competitiveness are supposedly what Europe's rendezvous with 1992 is all about. F

A. CALONA/FORTUNE ITALIA

Olivetti's Cassoni: battling to stay No. 2

REPORTER ASSOCIATE *Carrie Gottlieb*

CAN YOUR KID BECOME PRESIDENT?

Sure, ethnicity still affects advancement in the U.S. But barriers have fallen fast, and the society is wide open. It welcomes ability more than ever.

■ *by Myron Magnet*

"ROSEMARY is a lovely girl, but your mother and I are a little worried. We certainly don't want any Catholic grandchildren." So Pulitzer Prize Board secretary Robert C. Christopher's father told him in a serious paternal chat about a beautiful Irish girl over 40 years ago. But now the elder Christopher has grandchildren who are half Jewish, and he will have half-Chinese great-grandchildren. Says Robert Christopher: "He's relaxed about it."

That change of heart isn't just personal; it sums up a momentous revolution in American attitudes and society. Decades in the making but accomplished with inexorable force over only the past ten or 15 years, that revolution advances by a giant step the American ideal of an open society in which people are accepted and rewarded for their own merit, talent, or hard work rather than for the accident of their birth.

For all their vastness, changes that take place quietly over a long period are hard to perceive as they occur. One aspect of the new American openness—the wholesale movement of Jews, Catholics, women, and others into seats of prominence and authority hitherto occupied largely by male WASPs—jumps sharply into focus in a new book by Christopher, *Crashing the Gates: The De-WASPing of America's Power Elite* (Simon & Schuster). And even as this book celebrates the rise of groups formerly poor and outside the mainstream, the sometimes spectacular success of America's latest wave of immigrants testifies that opportunity is even more open than earlier groups found it.

Despite the democratic traditions of this nation of immigrants, American society wasn't always wide open. Remember Groucho Marx's funny but wistful plea to the swim club that refused membership to his children: Since they were only half Jewish, he wondered, perhaps they could be allowed in up to their navels? In the Twenties, with stiff Jewish quotas the norm at elite colleges, Jewish students at Harvard had to sit in a special, segregated corner if they attended the Freshman Jubilee dance or the senior prom. Across the river in Boston at the same time, Irish visitors to grand houses were expected to use the back door. Father Andrew Greeley remembers an Irish businessman in Boston in the Fifties whose WASP colleagues, convivial enough at lunch, would not invite him to their homes or introduce him to their wives. As recently as John Kennedy's 1960 campaign, it wasn't clear that a Catholic could aspire to be President. Early in this century the California legislature made the state's many Chinese and Japanese immigrants ineligible for citizenship and denied them such basic civil rights as owning land or giving testimony in court.

Carl Spielvogel, chairman of the Backer Spielvogel Bates Worldwide advertising agency, recalls when background and connections, as much as talent, counted for success in his industry, as in others. "In 1960 advertising was still a white-shoe business," he says. "School, school tie, and the team that you played on all meant a lot." Non-WASPs in advertising as in other businesses often assumed WASP-sounding names, manners, and tailoring, and hoped no one would guess.

Such realities—frustrating and painful at the time—might seem to younger readers as remote as the minuet or the pillory. Today when a Greek American runs for Presi-

REPORTER ASSOCIATE *Charles A. Riley II*

FORTUNE
YES, YOU CAN MANAGE FOR THE LONG TERM
You say Wall Street won't let you look past the here and now? Nonsense! You're just making lame excuses.
People weekly
CONNIE CHUNG & MAURY POVICH
A VERY CURRENT AFFAIR
TIME
Cosby, Inc.
Funny, Famous, Fifty—and Really Rich
FORTUNE
IACOCCA
The Lion Is Winter Talks to FORTUNE: How to Handle Tomorrow's Business Challenges

You don't have to be a WASP male to make it to the top in America today, as this well-publicized crop of overachievers shows.

dent, many political pros consider his ethnicity an advantage, and Italian Catholic Geraldine Ferraro found her religion and ethnicity no hindrance in campaigning for the vice presidency. Part of the fascination of Christopher's book is his listing of non-WASPs now established in seats of power. For instance: Boschwitz, Cohen, D'Amato, DeConcini, Durenberger, Inouye, Kassebaum, Kerry, Lautenburg, Leahy, Levin, Matsunaga, Mikulski, Murkowski, Sarbanes—the roster reflects the rich variety of the American population, and is in fact a list of U.S. Senators. Blacks run two of the nation's top nonprofit organizations—Franklin Thomas at the Ford Foundation and Clifton Wharton at TIAA-CREF, the giant teachers' pension fund—and Steven Minter, who is also a black, heads the prestigious Cleveland Foundation in a city where racial and ethnic barriers until recently were quite rigid. At the hyper-Establishment Council on Foreign Relations, Greek American investment banker Peter Peterson serves as the chairman, and Peter Tarnoff, who is Jewish, is the president.

THE TOP EXECUTIVE RANKS of big corporations have similarly opened up to talented non-WASPs, especially Catholics. Two surveys by the Korn Ferry headhunting firm of 4,350 big-company executives just under the CEO level show how rapid and recent the change has been. In 1979, 68% of the executives were Protestants and 22% were Catholics; but in 1986, 58% were Protestants and 27% were Catholics. Say "big business" today, and the first face that pops into the average American's mind is likely to be Lido Iacocca's.

The extraordinary success of Jewish Americans plays an important part in the story of American openness in this century. For most Jewish Americans of Eastern European descent, that story begins in crowded urban poverty at the turn of the century, when 67% of Polish Jewish schoolchildren in major northern cities tested as "retarded." Their success in America should be seen as a proof and a promise to the many recent Cuban, Dominican, East Asian, Greek, Indian, Irish, Haitian, and other immigrants of how open to their efforts American society really is.

At the major corporate law firms on Wall Street and in Washington, D.C., for example, Smith College political scientist Stanley Rothman found that 15% of 150 partners were Catholics and 41% were Jews. So astounded was Rothman by the latter figure, especially since the firms he surveyed didn't include those that used to be thought of as "Jewish," that he went back and reconfirmed his results. And in the snootier reaches of the elite world, almost a quarter of the members of the prestigious board of New York's Metropolitan Museum of Art, for example, are Jewish.

The ultimate measure of the nation's social openness, beyond the permeability of its elites, is the intermarriage rate, which shows the degree to which people are willing not just to hire and promote but also to marry across ethnic barriers. It is startling.

In the 1980 census data, the latest available, Harvard sociologists Stanley Lieberson and Mary Waters found a striking decline in the degree to which people of the same ethnic ancestry marry each other (see graph). For example, while only 34% of married people of Italian ancestry who were 65 or older had married non-Italians, 77% of those under 25 had. Among Jews, 70% of those surveyed in Boston in 1965 opposed intermarriage for their children, but only 34% opposed it ten years later. Of non-Jews under age 30 surveyed nationwide in 1975, only 4% professed disapproval of intermarriage with Jews. By 1981 a third of third-generation Japanese Americans were marrying Caucasians, and the number of Asian-Caucasian marriages in-

STEVEN SMITH

Koreans are prospering in Los Angeles, site of this classroom filled mainly with immigrants.

creased 70% between 1976 and 1986, leading some social scientists to foresee a substantial Eurasian component in the American middle class in the not very distant future.

What forces brought about the new American openness? As a watershed, Christopher points to the G.I. Bill, which after World War II gave a college education to thousands who otherwise would never have dreamed of higher education. The result was to swell the ranks of the trained and make the ambitious look higher. The ground had been laid long before that by the progressive effort to replace the patronage of corrupt machine politics with objective merit and so reaffirm America's original commitment to the key liberal idea of the career open to talents.

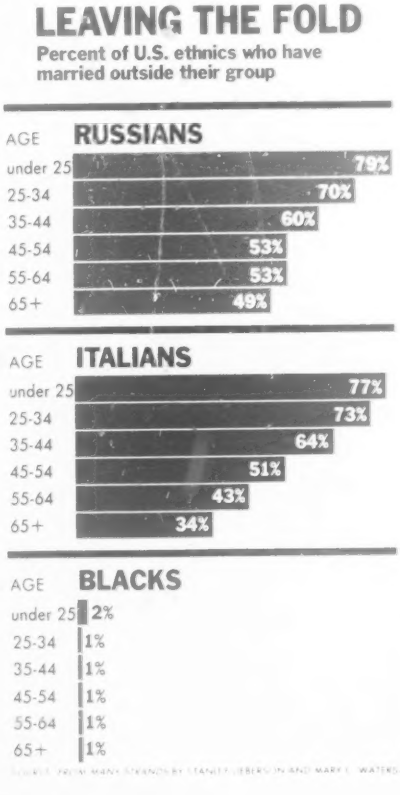
In the business world increased competition over the past 15 years has forced greater opening. Financial deregulation, global competition, and the discipline of raiders and restructuring have all raised the premium on talent and a mastery of the business rather than that on relationships.

The WASPocracy didn't have power wrested away from it, but voluntarily dispersed it. According to University of Pennsylvania sociologist E. Digby Baltzell, the WASPs waited too long to make this concession. Instead of routinely co-opting gifted outsiders into their ranks, American WASPs kept their society closed and became a caste rather than a vital aristocracy. By the time the WASPs ceded power, they and their values were enfeebled. Their new openness is part of a general "anything goes" mentality, says Baltzell. "Nobody bothers to make any distinctions anyway, so what the hell?" From a different point of view, *Commentary* editor Norman Podhoretz believes that the WASP elite has suffered a loss of confidence since the Sixties, a loss that author Christopher attributes to the failure of the primarily WASP best and brightest in directing the Vietnam war.

ONE CAN ARGUE about the timing, but, says former Harvard University dean Henry Rosovsky: "I admire the way the WASPs opened up their institutions. They did it out of a moral sense rather than being pushed into doing it. They felt it was important for the society." And sometimes they did it with panache, as when Berkshire Hathaway Chairman Warren Buffett encouraged Omaha's premier country club to drop its WASPs-only policy by joining the Jewish club instead, mildly observing that its food was better.

Bilingual education, instead of making the society more open to children of Mexican immigrants, probably keeps it more closed.

By now it is a truism that the success of America's most recent immigrants shows how breathtakingly open the society really is to ambition, hard work, and self-help. Think of the 2,800 Korean-owned businesses in Los Angeles, with schoolchildren diligently doing their homework behind the counters, or the 25,000 Cuban-owned businesses, from mom and pop stores to two major banks, in the Miami area. Think of Asians and Hispanics moving steadily out of immigrant neighborhoods into the general population as their incomes and levels of education rise.



It almost seems as if such success were easy. It is not. Taking advantage of the opportunities of the open society is a years-long struggle that commands respect. It also exacts costs, as it has from immigrants of every generation.

HARD WORK goes without saying. Acclaimed Chinese American novelist Amy Tan tells of her half-sister and her brother-in-law, both 50-ish, who arrived from China only six years ago. After four years they owned a car, three televisions, a house. They have two children in college. Since they have what some call "dead-end jobs"—she manages a takeout restaurant and he works as a dishwasher—they paid for all this by working constantly, six days a week with no vacations, and by unwavering frugality and thrift. "These accomplishments were important to them," says Tan, "as a sign that they had succeeded and that they had taken advantage of an opportunity they wouldn't have in China."

They gave up a lot for that opportunity: He was a surgeon in China, she a nurse. Explains Tan: "My sister said, 'We came for the children. I know I'll never get ahead that far. I'm working hard. We're doing fine. But it's my children who are going to do well, for us.' "

And so among Chinese immigrant families, says Tan, the children take on the responsibility of working hard to achieve their parents' goals. They prosper and assimilate. Adds Tan: "That's what American society sees. What they don't see is that the immigrants who come to this country as adults do not assimilate as well as people think." After six years Tan's sister still doesn't speak English. A friend who has been in America ten years similarly hasn't learned English, and since she knows only one way to get home, she directed Tan ten miles out of the way to drive her there. Concludes Tan: "That to me was a perfect metaphor for her lack of assimilation."

Outsiders also can't perceive the emotional costs. The responsibility of achieving their parents' goals can seem a burden to children. Moreover, as with previous immigrant groups, today's immigrant parents experience their children's assimilation as both a fulfillment of their own ambitions and as a betrayal. In becoming American, the children become less . . . Chinese, Mexican, Jewish—fill in the blank. In the end, parents fear, the children become less able

to understand the values that support the parents' sense of their own worth.

Worse is the fear that all American parents of the Eighties share. Says John Cho, head of the Korean-American Garment Industry Association in Los Angeles: "American schoolchildren are not well disciplined. They can do whatever they want. I mean, they can hit or shoot—it's entirely beyond our imagination. Another thing is those bad habits, narcotics. It's maybe too liberated or free for anyone to have access to those kinds of things. A lot of Korean parents are worried about their children being addicted to them, and some already are."

AMERICAN OPENNESS presents much the same chance to all newcomers, but different groups of immigrants have achieved different degrees of success depending on what they have brought to their opportunities. A leavening of the entrepreneurial spirit, for example, has helped make Asians and Cubans the most successful of recent immigrants. Many live in self-contained, mutually supportive, virtually self-sufficient communities—so-called enclave economies, networks of immigrant-owned businesses that buy and sell to one another and employ a significant portion of a given immigrant group. Employees, whose lack of English limits their job choices outside the enclave, often start with dirty jobs and work long hours for low wages. In return, employers are quick to promote them and often to help them if they set up businesses of their own. Sociologist Alejandro Portes of Johns Hopkins found that the usual route to starting their own businesses among Cuban refugees he studies was first working for a Cuban firm. "It's a kind of informal business school," he says.

By contrast, Mexicans, the largest recent immigrant group, are succeeding more slowly, though succeeding nevertheless. Mainly unskilled laborers without an entrepreneurial tradition, they largely have remained working class. New arrivals have found no network of welcoming employers, making lack of English a far greater hindrance for them than for Cuban immigrants. The key to their economic achievement, according to several studies, appears to be learning English, so that bilingual education, instead of making the society more open to their children, probably keeps it more closed.

Immigrants from the Caribbean are making it too—except for significant numbers of Puerto Ricans. Linda Chavez, former staff director of the U.S. Civil Rights Commission, attributes the lack of success to welfare, deeply entrenched in Puerto Rico as well as in mainland Puerto Rican communities and offering a viable if deplorable alternative to low-wage work. The result is that Puerto Ricans are being shunted aside by newer Hispanic immigrants, to whom American opportunity looks good by comparison with the situations they've left.

The unhappy example of closedness in American society has been the case of black Americans, so long excluded from full participation by barriers first of law and then of custom. But even here obstructions have crumbled and opportunities opened with amazing speed over the past three dec-

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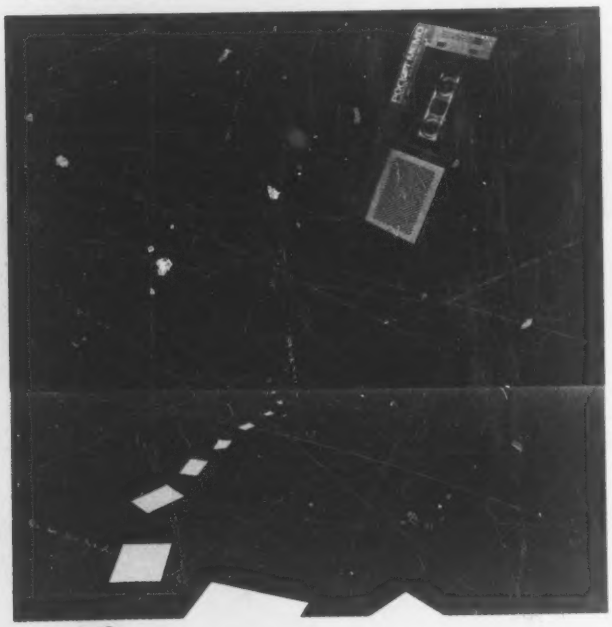

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ades. As one luminous gauge of success, the number of black families below the poverty line declined by 5% between 1981 and 1986, while the real median income of black families rose 10%.

But success has entailed a paradoxical byproduct. As the majority of blacks rose and prospered, they fled urban ghettos for neighborhoods newly open to them, leaving behind in the inner cities an increasingly concentrated, isolated residue of the unsuccessful, who became the main component of the urban underclass. Reasonable thinkers differ on the precise pathology that created their plight, but it seems most likely that the welfare system designed to help them instead made them dependent, and a culture of poverty, which rejected the values it takes to rise out of poverty, made them emotionally and educationally unable to seize opportunities that were increasingly open. What seems unlikely, however, is that the existence of an underclass shows that America is not an open society.

Says prizewinning essayist Shelby Steele, a San Jose State University English professor who is black and who writes thoughtfully and compassionately about the condition of American blacks: "I think it takes a certain set of values and attitudes to be able to take advantage of opportunity, and those values are probably missing or undeveloped in the black underclass." Part of the problem, Steele believes, is a preoccupation with victimization and an overpowering resentment. Says he: "Black national leaders have reconvinced blacks that they're victimized. They focus on racism rather than point out to blacks their opportunities and the kinds of values it takes to exploit them."

WORSE, he believes, an emotional double bind entraps not just underclass blacks but even some—by no means all—members of the black middle class. Minority groups have always felt ambivalent about joining the American mainstream because they have feared they would lose a portion of their original identity. Still, they have entered fully. But among blacks the ambivalence sometimes seems even stronger, more lopsided, more incapacitating. Explains Steele: "The kind of black identity that emerged in the Sixties was focused around victimization: The proud black man was basically a poor, ghettoized black person. And so black middle-class people, in order to achieve their identity, had to identify with that, even though it was a contradiction to the reality of their lives, their aspirations, their opportunities. That tension held the black middle class back. You may be middle class, but if you're encouraging your children to be black and identify with the mass of black people, you're conditioning them to be poor, to not subscribe to the same values that you yourself are living by." Little wonder, says Steele, that such children sometimes fall out of the middle class.

After enormous progress, the barriers that most hinder social mobility in America today are in the minds of citizens, not in the society at large. The right message for all is: Most doors are wide open in America now. He may walk through who will. F

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FORTUNE

THE SERVICE 500

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500

AT LAST, PROFITS WORTH SAVORING

They're back, more robust than in several years. Did America's biggest service companies—the FORTUNE Service 500—respond to an inner cry? "Hey, folks, there's an industrial boom out there, and someone's gotta do the shipping, the selling, and the all-purpose sweating to make it work." Whatever the inspirational voice, service enterprises were listening. Companies on this year's Service 500 roster netted a record $73.8 billion in 1988, 55% more than those on last year's lists. (The calculation excludes the net income of life insurers, which do not account for profits on a comparable basis with other companies.)

A spectacular rebound by commercial banks accounted for most of the gain. Their earnings hit new highs after huge write-offs on Third World loans in 1987, when 26 of the top 100 banks lost money, vs. only three on this year's list. On the banks' heels came the dazzling performance of many railroads, telecommunications outfits, retailers, waste processors, Wall Street firms bucking hard times, and healthy savings institutions. Only the utilities group, dragged down by nuclear woes at a handful of power companies, suffered an overall decline in profits. Not bad when you consider that the Service 500 as a whole registered a 22% earnings *drop* in 1987.

Transportation companies delivered a thumping 50% increase in profits. Airlines, enjoying an armistice in their competitive wars, raked in higher fares. UAL (No. 2 on the transportation list) shed

Norfolk Southern's profits highballed last year. In an Atlanta yard, cranes double-stack trains with steamship containers.

	1988 $ BILLIONS	1987 $ BILLIONS	CHANGE
100 DIVERSIFIED SERVICE COMPANIES	$6.344	$5.241	21.0%
100 COMMERCIAL BANKING COMPANIES	$17.501	($5.310)	–
50 DIVERSIFIED FINANCIAL COMPANIES	$12.587	$12.081	4.2%
50 SAVINGS INSTITUTIONS	$1.198	$0.990	21.0%
50 LIFE INSURANCE COMPANIES*	$5.668	N.A.	N.A.
50 RETAILING COMPANIES	$9.116	$8.282	10.1%
50 TRANSPORTATION COMPANIES	$5.476	$3.644	50.3%
50 UTILITIES	$21.592	$22.722	(5.0%)

*Net income based on statutory accounting. N.A. Not available.

some routes and its Westin Hotel business, revived its old name (bye-bye, Allegis), and lifted earnings 236% despite an 18% decline in revenues. A bigger story unfolded on the ground, where railroads and truckers hauled tonnage to keep busy factories producing and exporting. As the result of an extensive restructuring program at Norfolk Southern (No. 12), the railroad company transformed a modest 9% increase in revenues into a 268% jump in profits. The return on stockholders' equity, thin as a split rail in 1987, fattened to a respectable 12.3%.

Diversified service companies chalked up a 21% rise in earnings. MCI, the long-distance phone company whose profits disappeared in 1986, reveled in a 293% leap on a 30% rise in revenues. With new services and expanded international direct dialing, the company continues to eat into archrival AT&T's business. MCI's shares more than doubled in price, and the company jumped from No. 43 among utilities to No. 7 on the diversified service list.

Retailers, maintaining the momentum of 1987, boosted overall profits 10%. Seemingly unstoppable Wal-Mart moved up a couple more rungs to No. 3, turning in the consistently good performance we've come to expect of Mr. Sam's troupe, with net rising 33% and sales up 29%. But a lesser-known discount merchant walked off with the most improved award. Service Merchandise (No. 32), a Nashville-based catalogue showroom that earlier ran into heavy costs from hasty expansion, roared back with a 148% rise in earnings on a 14% increase in sales. Nobody was more pleased than the stockholders, who enjoyed a total return (capital appreciation plus dividends) of 415%—best on the Service 500 list.

The retail group's median return on stockholders' equity, much enhanced by borrowing, hit an impressive 16.3% last year. But by leveraging up heavily with junk debt, some storekeepers have given bondholders reasons to feel jittery. Coupon clippers watched closely as eccentric Canadian magnate Robert Campeau, striving to pare a huge debt load, continued to auction off chunks of Allied Stores (No. 33) and Federated Department Stores (No. 23) to

OVAK ARSLANIAN—GAMMA LIAISON

such fellow merchants as May Department Stores (No. 9).

After 1987 write-offs that put the banks on last year's list $5.3 billion in the red, the group zoomed back in 1988—and how! Their $17.5 billion in profits dwarfed the previous peak of $11 billion in 1986. Credit these results to the steadily expanding economy, which has sustained vigorous commercial and consumer borrowing, and to the banks' streamlined operations. Even BankAmerica (No. 3), a money loser for three years straight, returned to the black with an 18% return on stockholders' equity, bringing investors a 156% gain.

Top-ranked Citicorp alone, with earnings of $1.9 billion, accounted for 11% of the group's total. Bank of New York, victorious in its hotly contested 13-month battle to take over Irving Bank, moved up from No. 28 to No. 10. But size is no guarantee of profitability. The merged bank ranked only 84th by a key measure, return on year-end assets, with a mere 0.4%. Bank of New York plans to cut 17% of its work force, aiming for savings of $700 million over the next five years. The winner and runner-up in return on assets last year were New York's European American Bank with 1.8% and Milwaukee's Firstar Corp. with 1.7%.

Diversified financial companies achieved diverse results. Thanks to stunning performances by such big players as American Express and American International Group, which offset a bunch of declines, total profits climbed 4%. Some Wall Street houses coined money as if Black Monday had never occurred, grasping fat fees for advice on mergers and pocketing profits from merchant banking deals. Morgan Stanley (No. 9) netted $395 million, nearly double what it earned in heady 1986. And that's after paying out over $1 billion in salaries and other compensation—a dazzling aver-

KEY TO RANK

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BIGGEST GAINS AND BIGGEST LOSERS

THE TEN LARGEST INCREASES IN SALES

	RANK	
VONS COS.	R-27	831.2%
SOUTHMARK	F-29	226.9
UNITED TELECOMMUN.	S-6	169.9
AMERICAN FINANCIAL	S-5	154.9
TONKA	S-96	137.2
ITT	F-8	126.3
GENERAL CINEMA	R-43	120.7
USAIR GROUP	T-8	90.2
LOMAS & NETTLETON	F-35	90.1
LANDMARK LAND	F-40	82.9

THE TEN LARGEST INCREASES IN PROFITS*

BANKERS TRUST N.Y. CORP.	B-9	54,932.5%
SECURITY PACIFIC CORP.	B-5	3,969.4
RIGGS NATIONAL CORP.	B-70	3,554.1
ILLINOIS CENTRAL GULF R.R.	T-36	2,960.0
STATESMAN GROUP	F-44	2,188.7
AMERICAN CAPITAL CORP.	I-27	2,049.7
ENRON	U-27	1,829.7
BANK OF BOSTON CORP.	B-14	1,539.3
UNIVAR	S-81	1,467.8
MANUF. NATIONAL CORP.	B-48	1,351.6

*Excludes companies that lost money in 1987.

THE TEN LARGEST DECREASES IN SALES

	RANK	
FEDERATED DEPT. STORES	R-23	59.1%
CAPITAL HOLDING	F-22	38.9
DCNY	F-45	35.8
BURLINGTON NORTHERN	T-11	29.0
NATIONAL INTERGROUP	S-24	26.1
SAFEWAY STORES	R-7	25.6
ALLIED STORES	R-33	24.7
HOUSEHOLD INTERNATIONAL	F-16	23.3
GENERAL RE	F-28	20.7
UAL	T-2	18.4

THE FIVE LARGEST DECREASES IN PROFITS*

PERMIAN PARTNERS	S-36	1397.1%
GOLDOME	I-11	813.7
FIRST BANK SYSTEM	B-29	725.0
WESTERN S&L ASS'N	I-33	703.9
ENSERCH	S-31	646.0

*Decreases over 100% reflect swings from 1987 profits to 1988 losses.

THE FIVE LARGEST LOSSES

		$ MIL.
AMERICAN TEL. & TEL.	S-1	$1,669.0
LONG ISLAND LIGHTING	U-29	1,046.6
MCORP	B-38	940.0
TEXAS AIR	T-5	718.6
DETROIT EDISON	U-24	378.8

THE TEN HIGHEST TOTAL RETURNS TO INVESTORS, 1988

	RANK	
SERVICE MERCHANDISE	R-32	414.6%
BANKAMERICA CORP.	B-3	156.4
MCI COMMUNICATIONS	S-7	141.3
KROGER	R-4	123.8
FIRST MARYLAND BANCORP	B-79	107.0
UNITED TELECOMMUN.	S-6	98.6
MIDDLE SOUTH UTILITIES	U-13	96.4
COMMERCE BANCSHARES	B-88	95.7
COSTCO WHOLESALE	R-47	92.4
TW SERVICES	R-30	85.2

THE FIVE LOWEST

AMERICAN CARRIERS	T-42	(82.2)
MAXICARE HEALTH PLANS	S-49	(78.6)
MCORP	B-38	(73.7)
WESTERN S&L ASS'N	I-33	(72.7)
SOUTHMARK	F-29	(64.9)
THE SERVICE 500 MEDIAN		18.3

THE TEN HIGHEST TOTAL RETURNS TO INVESTORS, 1978–88 ANNUAL AVERAGE

	RANK	
THE LIMITED	R-25	47.2%
WAL-MART STORES	R-3	47.0
TELE-COMMUNICATIONS	U-28	46.7
GIANT FOOD	R-34	42.0
TOYS "R" US	R-26	41.8
STATE ST. BOSTON CORP.	B-64	40.5
DCNY	F-45	39.1
MCI COMMUNICATIONS	S-7	37.5
DILLARD DEPT. STORES	R-37	37.1
FOOD LION	R-28	36.5

THE FIVE LOWEST

MCORP	B-38	(22.8)
GIBRALTAR FINANCIAL CORP.	I-10	(17.8)
TRANSCON	T-45	(12.5)
CONTINENTAL BANK CORP.	B-17	(11.1)
FINAN. CORP. OF S. BARBARA	I-39	(10.6)
THE SERVICE 500 MEDIAN		18.4

THE MOST PROFITABLE, 1988

THE TEN HIGHEST RETURNS ON STOCKHOLDERS' EQUITY

	RANK	
SERVICEMASTER	S-57	125.7%
MONTGOMERY WARD HOLDING	R-19	93.3
UAL	T-2	91.7
TIGER INTERNATIONAL	T-22	57.4
CBS	S-33	51.5
CHARTER	S-94	39.5
MARSH & MCLENNAN COS.	F-49	39.2
LANDMARK LAND	F-40	33.0
ALLIED STORES	R-33	32.9
MARRIOTT	R-14	32.7
THE SERVICE 500 MEDIAN		13.0

THE TEN HIGHEST RETURNS ON ASSETS

	RANK	
CBS	S-33	26.1%
CHARTER	S-94	19.9
KELLY SERVICES	S-67	18.5
UAL	T-2	16.8
MARSH & MCLENNAN COS.	F-49	16.2
GENUINE PARTS	S-30	15.9
NIKE	S-73	14.3
ALEXANDER & BALDWIN	T-30	14.3
SERVICEMASTER	S-57	13.4
WAL-MART STORES	R-3	13.2
THE SERVICE 500 MEDIAN		1.1

THE TEN HIGHEST RETURNS ON SALES

	RANK	
CBS	S-33	41.4%
ALEXANDER & BALDWIN	T-30	21.9
ARGONAUT GROUP	F-40	20.2
GENERAL RE	F-39	17.5
PHILADELPHIA ELECTRIC	U-29	17.5
BALTIMORE GAS & ELECTRIC	U-6	16.3
PRIMERICA	F-19	16.1
TEXAS UTILITIES	U-35	15.5
WALT DISNEY	S-73	15.2
DUKE POWER	U-28	15.2
THE SERVICE 500 MEDIAN		3.8

age of $162,000 per employee. The company's 25% return on equity was bolstered by a $124 million pretax gain from selling its stake in Cain Chemical. As investment banker, Morgan had worked with Texas dealmaker Gordon Cain when he put the firm together from several companies' petrochemical operations in 1987.

The diversified financial companies' *median* profits are another story. They slipped by 3.1%, partly beaten down by slumps in the property-casualty insurance and reinsurance businesses. Among brokerage houses, the legacy of the crash lived on. Average daily trading volume declined 15% on the Big Board last year, pinching commissions at firms like Paine Webber (No. 18), where earnings fell 41%.

Savings institutions present a paradoxical picture. Most on this year's list endured declining profits or losses as the thrift industry's malaise kept on spreading. Overall profits, at $1.2 billion, were less than half the figure of two years ago. Yet they were *up* 21% over 1987 because some of the heaviest losers disappeared from this year's lineup. Biggest dropout: Financial Corp. of America, formerly No. 1 among publicly held thrifts. Wheeler-dealer Robert Bass took over the company's troubled American Savings subsidiary. All was not woe. Some of the largest savings institutions, such as H.F. Ahmanson (the new No. 1) and Great Western Financial (No. 2), did just fine.

Utility profits sagged by 5% in 1988. GTE and most of the Baby Bell regional telephone companies boosted earnings, but this was offset by a dismal showing in the energy sector. Long Island Lighting Co., stuck with its new Shoreham nuclear reactor after local opposition blocked its use, took a loss of more than $1 billion. Other companies also experienced pains. An accounting credit for funds used during construction made up 57% of Detroit Edison's profits in 1987. The discontinuance of that credit helped put the company $379 million in the red last year.

The Service 500 has some notable newcomers. Obeying a mandate of the Financial Accounting Standards Board, corporations consolidated the results of all majority-owned subsidiaries with those of their other operations. *Voilà*: ITT, No. 45 on the FORTUNE 500 Industrials last year, arrives at No. 8 on the diversified financial list. Perhaps better known for making such industrial items as antilock braking systems and defense communications equipment, ITT actually draws over half its revenues from insurance, finance, and hotels.

Other companies switched lists simply because their sales from service businesses came to eclipse those from manufacturing. AT&T, formerly No. 8 among industrial companies, pulled in more money from providing phone service than from making computers and telecommunications equipment. It rejoins the Service 500, at the top of the diversified service list, for the first time since it was broken up in 1984.

– **Alan Deutschman and Karen Nickel**

THE TEN HIGHEST IN SALES PER EMPLOYEE

	RANK	$ THOU.
CHARTER	S-94	$18,611.7
FED. NAT'L MORTGAGE ASS'N	F-2	4,254.0
BINDLEY WESTERN INDUST.	S-65	3,372.9
UNION EQUITY CO-OP. EXCH.	S-59	2,471.8
PERMIAN PARTNERS	S-36	1,634.8
SUBARU OF AMERICA	S-48	1,478.1
STUDENT LOAN MKTG. ASS'N	F-13	1,474.6
AMERICAN CARRIERS	T-42	1,297.3
IND. FARM BUREAU COOP.	S-83	1,285.2
BALFOUR MACLAINE	S-87	1,281.4
THE FIVE LOWEST		
MARRIOTT	R-14	$32.1
TW SERVICES	R-30	29.8
OGDEN	S-84	29.4
HILTON HOTELS	S-91	25.1
BEVERLY ENTERPRISES	S-42	19.1
THE SERVICE 500 MEDIAN		171.3

THE TEN HIGHEST IN SALES PER DOLLAR OF STOCKHOLDERS' EQUITY

	RANK	
HAL	T-44	$78.38
TURNER	S-26	66.24
MAYFLOWER GROUP	T-33	51.68
SSC HOLDINGS	R-22	40.18
ROUNDY'S	S-41	37.65
MONTGOMERY WARD HLDG.	R-19	36.05
APL	S-72	35.12
BALFOUR MACLAINE	S-87	33.82
SERVICE MASTER	S-57	29.78
BINDLEY WESTERN IND.	S-65	28.28
THE FIVE LOWEST		
MIDDLE SOUTH UTILITIES	U-13	$0.68
GULF STATES UTILITIES	U-37	0.65
ILLINOIS POWER	U-40	0.58
PRIMERICA	F-19	0.52
OVERSEAS SHIPHLDG. GROUP	T-46	0.44
THE SERVICE 500 MEDIAN		3.01

THE SERVICE 500

THE 100 LARGEST

RANK BY SALES 1988	1987	COMPANY	SALES $ Millions	SALES % change from 1987	PROFITS $ Millions	PROFITS Rank	PROFITS % change from 1987	ASSETS $ Millions	ASSETS Rank	STOCKHOLDERS' EQUITY $ Millions	STOCKHOLDERS' EQUITY Rank
1	•	**AMERICAN TELEPHONE & TELEGRAPH** New York*	35,210.0	4.8	(1,669.0)	91	(181.7)	35,152.0	1	11,465.0	1
2	2	**FLEMING COS.** Oklahoma City	10,467.0	21.6	65.4	34	32.1	2,559.0	31	633.8	35
3	1	**SUPER VALU STORES** Eden Prairie, Minn.*	9,371.7	3.4	111.8	22	25.2	2,016.2	38	677.4	32
4	3	**MCKESSON** San Francisco*	7,297.7	9.4	95.0	28	5.9	2,254.7	33	703.3	28
5	•	**AMERICAN FINANCIAL** Cincinnati‡	6,901.7	154.9	102.4	26	(19.1)	11,669.8	2	324.5	52
6	•	**UNITED TELECOMMUNICATIONS** Westwood, Kans.*	6,493.0	169.9	508.9	3	—	9,816.9	3	1,877.2	9
7	•	**MCI COMMUNICATIONS** Washington	5,137.0	30.4	346.0	9	293.2	5,843.0	6	1,359.0	14
8	10	**FLUOR** Irvine, Calif.*	5,132.5	30.8	56.4	41	112.1	2,073.3	37	601.7	36
9	5	**RYDER SYSTEM** Miami	5,029.6	9.1	197.2‡	13	5.4	6,038.8	5	1,589.2	12
10	18	**HALLIBURTON** Dallas	4,838.7	43.7	93.6	29	94.6	4,722.2	14	2,107.2	7
11	7	**CAPITAL CITIES/ABC** New York	4,773.5	7.5	387.1	6	38.7	6,088.9	4	3,025.5	2
12	8	**ELECTRONIC DATA SYSTEMS** Dallas*	4,744.6	9.7	384.1	8	18.9	3,416.0	26	1,403.9	13
13	12	**SYSCO** Houston*	4,384.7	19.9	86.9	31	40.6	1,020.9	57	543.6	40
14	19	**DUN & BRADSTREET** New York	4,267.4	27.0	499.0	4	27.0	5,023.8	11	2,093.2	8
15	11	**WETTERAU** Hazelwood, Mo.*	4,155.9	8.2	38.6	48	10.1	798.8	65	213.9	62
16	4	**HOSPITAL CORP. OF AMERICA** Nashville	4,111.2	(12.1)	258.8	10	—	5,388.3	7	1,617.5	11
17	9	**ARA GROUP** Philadelphia	3,917.3	(2.5)	5.4	69	(75.1)	1,771.5	44	(6.0)	96
18	13	**ALCO STANDARD** Valley Forge, Pa.	3,809.6	5.3	110.0	23	37.2	1,399.0	48	658.8	33
19	26	**WASTE MANAGEMENT** Oak Brook, Ill.	3,565.6	29.3	464.2	5	41.9	4,878.5	13	2,179.2	6
20	16	**BERGEN BRUNSWIG** Orange, Calif.*	3,486.4	3.3	34.7	50	118.6	888.7	63	219.4	60
21	20	**WALT DISNEY** Burbank, Calif.*	3,438.2	9.5	522.0	2	17.4	5,108.9	9	2,359.3	3
22	22	**HUMANA** Louisville, Ky.*	3,435.4	21.3	227.1	11	24.2	3,422.0	25	1,154.6	15
23	32	**GREYHOUND** Phoenix	3,373.8	49.3	104.1	25	314.5	5,033.9	10	1,002.1	18
24	6	**NATIONAL INTERGROUP** Pittsburgh*	3,355.3	(26.1)	(21.9)	78	—	1,922.6	40	707.7	27
25	17	**NATIONAL MEDICAL ENTERPRISES** Los Angeles*	3,202.2	(5.0)	147.6	17	134.3	3,507.2	22	962.0	20
26	24	**TURNER** New York	3,195.8	14.5	3.7	70	—	920.3	61	48.2	92
27	28	**AMERICAN MEDICAL INT'L** Beverly Hills	3,111.5	15.1	115.3‡	20	9.4	3,532.2	21	888.7	21
28	21	**GULF & WESTERN** New York*	3,055.9	5.2	384.7	7	8.0	5,378.1	8	2,266.2	4
29	30	**MCA** Universal City, Calif.	3,023.7	16.8	164.9	16	20.2	4,115.0	18	1,691.7	10
30	29	**GENUINE PARTS** Atlanta	2,942.0	12.9	181.4	14	22.3	1,141.3	52	863.2	22
31	23	**ENSERCH** Dallas	2,895.0	3.5	(156.4)	89	(646.0)	2,970.1	29	738.5	26
32	27	**ASSOCIATED MILK PRODUCERS** San Antonio	2,827.2	2.6	N.A.*		—	488.8	76	139.7	77
33	25	**CBS** New York	2,777.7	0.6	1,149.9	1	154.1	4,407.1	15	2,208.0	5
34	41	**CASTLE & COOKE** Los Angeles	2,469.2	41.2	112.3	21	33.4	1,922.2	41	742.5	25
35	•	**HARVEST STATES COOPERATIVES** St. Paul*	2,426.3	31.0	N.A.*		—	507.2	74	161.2	71
36	•	**PERMIAN PARTNERS** Houston	2,288.7	(11.2)	(14.7)	76	(1,397.1)	554.6	72	218.1	61
37	37	**MORRISON KNUDSEN** Boise, Idaho	2,142.9	14.9	(127.1)	88	—	745.6	66	224.3	59
38	36	**NASH-FINCH** St. Louis Park, Minn.	2,091.8	9.0	18.2	62	(1.8)	388.3	84	151.0	73
39	46	**BROWNING-FERRIS INDUSTRIES** Houston	2,067.4	24.8	226.9	12	31.9	2,258.1	32	1,043.5	16
40	43	**ALCO HEALTH SERVICES** Valley Forge, Pa.	2,058.6	18.8	20.2	61	12.3	457.0	78	195.0	64
41	42	**ROUNDY'S** Pewaukee, Wis.	2,036.5	17.1	N.A.*		—	316.9	91	54.1	90
42	35	**BEVERLY ENTERPRISES** Pasadena, Calif.	2,025.0	(3.3)	(23.9)	79	—	1,843.5	42	545.5	39
43	38	**HERTZ** Park Ridge, N.J.	1,966.5	5.6	80.4	32	48.9	3,370.8	27	677.5	31
44	44	**BALLY MANUFACTURING** Chicago	1,867.3	11.4	38.0	49	(33.5)	2,866.6	30	581.5	37
45	48	**AVNET** New York*	1,817.2	18.1	52.2	42	128.9	1,152.6	51	696.0	29
46	51	**REEBOK INTERNATIONAL** Canton, Mass.	1,785.9	28.6	137.0	18	(17.1)	1,063.4	55	690.7	30
47	•	**HARCOURT BRACE JOVANOVICH** Orlando, Fla.	1,782.1	38.0	(53.5)	83	(159.1)	3,232.5	28	(1,398.4)	99
48	40	**SUBARU OF AMERICA** Cherry Hill, N.J.*	1,673.2	(6.3)	(57.9)	84	—	727.7	67	209.8	63
49	39	**MAXICARE HEALTH PLANS** Los Angeles	1,670.0	(7.4)	(267.8)	90	—	N.A.		N.A.	
50	58	**ITEL** Chicago	1,643.6	29.0	24.8	56	198.8	4,000.9	19	784.4	24

• Not on last year's list
* Average for the year; see the reference to "employees" on page 388
‡ Reflects an extraordinary charge of at least 10%; see the explanations of "profits" and "earnings per share" on page 388
N.A. Not available
§ Dividends paid on mandatory redeemable preferred stock subtracted from profits
Net rates include all operating revenues and revenues from discontinued operations when they are published. All figures are for the fiscal year that ended December 31, 1988, unless otherwise noted. Sales of subsidiaries are included when they are consolidated. All companies on the list must have derived more than 50% of their revenues from non-manufacturing and non-mining businesses. Excluded but eligible for the lists that follow are

DIVERSIFIED SERVICE COMPANIES

MARKET VALUE		NET PROFITS AS PERCENT OF						EARNINGS PER SHARE				TOTAL RETURN TO INVESTORS				EMPLOYEES		
		SALES		ASSETS		STOCKHOLDERS' EQUITY			% change from	1978-88 annual growth rate				1978-88 annual average				
$ Millions	Rank	%	Rank	%	Rank	%	Rank	1988 $	1987	%	Rank	1988 %	Rank	%	Rank	Number	Rank	
37,309.9	1	(4.7)	85	(4.7)	85	(14.6)§	79	(1.55)	(182.4)	–		14.8	51	13.0	54	304,700	1	1
1,010.8	36	0.6	68	2.6	54	10.3	53	2.43	30.6	7.6	32	32.6	33	20.1	30	24,600	23	2
1,877.4	23	1.2	58	5.5	30	16.5	26	1.50	25.0	13.5	19	39.9	25	23.0	23	35,595	20	3
1,348.8	29	1.3	56	4.2	42	13.5	39	2.23	7.7	3.2	45	22.5	41	19.2	37	16,700	34	4
N.A.		1.5	54	0.9	66	24.4§	10	N.A.	–	–		–		–		52,000	8	5
5,858.2	8	7.8	12	5.2	31	26.9§	5	4.95	–	6.7	38	98.6	2	18.5	38	37,661	16	6
8,215.0	5	6.7	16	5.9	28	25.5	7	1.23	296.8	35.8	1	141.3	1	37.5	1	17,778	30	7
1,956.5	22	1.1	59	2.7	51	9.4	58	0.71	115.2	(7.5)	57	70.2	8	10.4	61	17,876	29	8
1,993.4	21	3.9	31	3.3	48	12.4	44	2.40‡	4.8	9.1	29	0.2	70	17.6	40	45,144	11	9
3,338.3	12	1.9	52	2.0	58	(0.6)§	71	0.89	97.8	(12.5)	59	17.1	48	2.3	67	61,400	7	10
7,467.4	6	8.1	10	6.4	27	12.8	42	22.31	35.5	19.4	7	5.1	64	25.0	18	19,720	26	11
N.A.		8.1	11	11.2	9	27.4	4	N.A.	–	–		–		–		50,407	9	12
2,064.3	19	2.0	51	8.5	15	16.0	29	1.94	38.6	18.4	10	43.4	22	30.7	4	13,000	43	13
10,032.9	4	11.7	6	9.9	13	23.8	12	2.67	3.5	15.5	17	1.1	68	23.8	21	69,500	5	14
611.3	49	0.9	63	4.8	34	18.0	21	1.58	12.1	7.3	36	44.3	19	19.9	32	13,697	41	15
N.A.		6.3	18	4.8	35	16.0	28	3.62	–	16.3	15	44.2	20	17.4	42	63,000	6	16
N.A.		0.1	71	0.3	72	–		N.A.	–	–		–		–		120,000	2	17
1,162.5	33	2.9	39	7.9	16	16.7	25	2.33	28.7	7.5	34	40.6	24	21.4	27	16,000	36	18
10,717.0	3	13.0	4	9.5	14	21.3	15	1.76	20.5	23.7	3	11.2	56	35.6	2	36,750	19	19
510.5	53	1.0	61	3.9	46	15.8	30	1.89	117.6	18.5	9	58.1	10	29.0	8	3,645	70	20
11,333.9	2	15.2	2	10.2	11	22.1	13	3.80	17.6	17.5	11	11.7	55	22.4	25	39,000	13	21
3,016.6	14	6.6	17	6.6	23	19.7	19	2.30	23.7	25.6	2	36.5	29	23.5	22	49,400	10	22
1,227.8	31	3.1	37	2.1	56	10.3§	54	2.70	335.5	7.3	35	23.0	40	17.2	43	37,244†	17	23
385.0	57	(0.7)	77	(1.1)	76	(3.9)§	72	(1.27)	–	–		45.8	17	(1.4)	70	7,204	54	24
2,225.6	18	4.6	27	4.2	43	15.3	32	1.99	139.8	17.5	12	17.4	47	20.5	29	71,600	4	25
79.9	76	0.1	72	0.4	71	7.6	62	0.82	–	(0.3)	53	11.8	54	16.5	44	3,500	72	26
1,481.3	27	3.7	33	3.3	49	13.0	41	1.41‡	17.5	7.2	37	29.4	36	9.5	62	32,000†	22	27
6,258.9	7	12.6	5	7.2	21	16.9§	24	3.21	11.5	8.6	31	16.2	49	25.9	15	19,500	27	28
4,025.7	11	5.5	22	4.0	45	9.7	57	2.26	24.2	2.1	48	33.7	32	15.2	49	17,700	31	29
3,065.2	13	6.2	20	15.9	4	21.0	16	2.35	25.0	11.0	23	3.8	66	15.8	47	15,536	37	30
1,298.2	30	(5.7)	87	(5.6)	87	(22.5)	81	(3.14)	(1,263.0)	–		12.6	53	11.7	57	11,350	47	31
N.A.		–		–		–		N.A.	–	–		–		–		4,117	67	32
4,430.3	10	41.4	1	26.1	1	51.5§	2	44.75	152.3	20.1	6	10.8	57	17.5	41	6,500	57	33
1,666.5	24	4.5	28	5.8	29	14.1§	36	2.05	15.2	1.6	49	52.7	12	10.6	60	42,000	12	34
N.A.		–		–		–		N.A.	–	–		–		–		2,350	83	35
N.A.		(0.6)	76	(2.6)	81	(6.7)	76	(1.25)	–	–		–		–		1,400	90	36
453.6	56	(5.9)	88	(17.0)	90	(56.7)	85	(11.52)	–	–		23.2	39	20.0	31	12,662	44	37
253.0	64	0.9	65	4.7	36	12.0	45	1.67	(4.6)	6.1	40	37.5	28	24.3	19	10,312	48	38
4,826.2	9	11.0	8	10.0	12	21.7	14	1.51	31.3	21.3	4	(0.4)	71	32.8	3	21,500	25	39
33.0	80	1.0	62	4.4	39	10.3	52	1.55	11.5	–		58.5	9	–		2,900	77	40
N.A.		–		–		–		N.A.	–	–		–		–		5,173	60	41
472.6	54	(1.2)	78	(1.3)	77	(4.4)	73	(0.47)	–	–		(10.1)	81	11.5	58	106,000	3	42
N.A.		4.1	30	2.4	55	11.9	47	N.A.	–	–		–		–		16,600	35	43
586.5	50	2.0	48	1.3	62	6.5	64	1.12	(30.9)	(1.3)	54	73.9	4	1.7	69	33,046	21	44
791.0	42	2.9	40	4.5	38	7.5	63	1.46	128.1	2.3	47	(4.3)	77	14.5	51	10,000	49	45
1,524.8	26	7.7	13	12.9	7	19.8	18	1.20	(19.5)	–		17.7	46	–		2,234	85	46
710.6	47	(3.0)	81	(1.7)	79	–		(2.04)	(252.2)	–		33.9	31	28.3	10	15,000	38	47
251.8	60	(3.5)	83	(8.0)	89	(27.6)	82	(1.19)	–	–		(2.1)	75	27.4	14	1,132	93	48
9.8	82	(16.0)	91	–		–		N.A.	–	–		(78.6)	84	–		1,700	88	49
1,037.4	35	1.5	53	0.6	68	3.2	68	0.44	–	(19.5)	60	4.3	65	(2.6)	71	6,800	56	50

companies deriving more than 50% of their revenues solely from banking, life insurance, finance, savings, retailing, transportation or utilities.
Company was No. 8 on last year's FORTUNE 500 industrials list.
Figures are for fiscal year ended February 29, 1988.
Figures are for fiscal year ended March 31, 1988.
Company was No. 28 on last year's Diversified Financial list.
Company was No. 36 on last year's Utilities list.
Company was No. 43 on last year's Utilities list.
Figures are for fiscal year ended October 31, 1988.
* Wholly owned by General Motors (No. 1 on the FORTUNE 500 industrial list).
Figures are for fiscal year ended June 30, 1988.
Figures are for fiscal year ended September 30, 1988.
Figures are for fiscal year ended August 31, 1988.

SERVICE

THE SERVICE 500

THE 100 LARGEST

RANK BY SALES 1988	1987	COMPANY	SALES $ Millions	SALES % change from 1987	PROFITS $ Millions	PROFITS Rank	PROFITS % change from 1987	ASSETS $ Millions	ASSETS Rank	STOCKHOLDERS' EQUITY $ Millions	STOCKHOLDERS' EQUITY Rank
51	53	**PHH GROUP** Hunt Valley, Md.[18]	1,618.3	18.8	43.7	45	10.6	4,148.1	17	316.0	53
52	45	**HOLIDAY** Memphis	1,596.6	(4.0)	87.6‡	30	(19.0)	2,138.8	36	(679.9)	97
53	54	**PITTSTON** Greenwich, Conn.	1,580.1	17.8	48.6**	43	–	992.0	58	439.2	43
54	49	**SUPER FOOD SERVICES** Dayton[1]	1,573.1	2.5	14.5	65	21.7	224.4	99	92.8	83
55	52	**AUTOMATIC DATA PROCESSING** Roseland, N.J.[6]	1,549.2	11.9	170.3	15	29.0	1,653.5	45	982.3	19
56	55	**W.W. GRAINGER** Skokie, Ill.	1,535.5	16.3	108.8	24	20.2	936.2	60	635.5	34
57	50	**SERVICEMASTER** Downers Grove, Ill.	1,531.3	7.4	64.6	36	7.7	483.8	77	51.4	91
58	57	**CENTEX** Dallas[1]	1,460.1	12.0	74.2	33	67.8	1,038.6	56	364.8	47
59	•	**UNION EQUITY CO-OP. EXCHANGE** Enid, Okla.	1,458.4	57.0	N.A.[4]		–	369.4	86	81.1	86
60	•	**ACE HARDWARE** Oak Brook, Ill.	1,382.0	15.3	N.A.[4]		–	438.7	80	131.1	79
61	63	**CBI INDUSTRIES** Oak Brook, Ill.	1,375.7	18.6	27.5	55	95.0	1,343.4	49	360.9	48
62	61	**COMDISCO** Rosemont, Ill.[11]	1,326.0	12.9	17.0	63	(81.9)	3,488.0	23	450.0	42
63	•	**NVR LP** McLean, Va.	1,320.3	23.4	33.5	51	55.3	2,193.9	35	132.4	78
64	86	**CHARTER MEDICAL** Macon, Ga.[1]	1,286.0	58.2	(38.9)‡	82	(174.8)	1,337.0	50	(769.7)	98
65	68	**BINDLEY WESTERN INDUSTRIES** Indianapolis	1,275.0	20.8	3.6	71	96.0	263.7	94	45.1	93
66	81	**RYLAND GROUP** Columbia, Md.	1,272.0	50.0	40.7	47	26.4	4,246.5	16	168.5	67
67	62	**KELLY SERVICES** Troy, Mich.	1,269.4	9.3	60.3	37	19.5	326.4	89	229.9	57
68	70	**VIACOM** New York	1,258.5	24.5	(123.1)	87	–	3,980.1	20	342.3	49
69	59	**BLOUNT** Montgomery, Ala.[1]	1,230.7	(0.3)	7.9	68	9.9	600.1	70	142.9	76
70	•	**WHEELABRATOR GROUP** Hampton, N.H.[17]	1,215.6	–	24.4	58	–	1,582.4	47	299.5	54
71	•	**ECOLAB** St. Paul[18]	1,211.9	22.5	44.1	44	(15.5)	943.3	59	433.3	44
72	•	**APL** Miami Beach[11,19]	1,209.0	–	(31.5)	81	–	583.8	71	34.4	94
73	76	**NIKE** Beaverton, Oreg.[13]	1,203.4	37.2	101.7	27	183.4	709.1	68	411.8	46
74	64	**PHM** Bloomfield Hills, Mich.[20]	1,179.2	4.3	31.8	53	(14.6)	4,892.2	12	254.6	56
75	73	**INTERPUBLIC GROUP OF COS.** New York	1,152.9	21.7	60.1	38	22.0	1,600.0	46	332.9	50
76	69	**COMPUTER SCIENCES** El Segundo, Calif.[6]	1,152.4	11.7	43.5	46	35.0	661.1	69	332.7	51
77	60	**DI GIORGIO** San Francisco	1,145.5	(3.0)	9.5	67	–	225.9	98	80.3	87
78	66	**RYKOFF-SEXTON** Los Angeles[11]	1,143.3	5.7	16.4	64	104.5	325.8	90	163.9	70
79	77	**COMMERCIAL METALS** Dallas[1]	1,129.2	29.4	24.4	57	139.5	337.4	88	168.2	68
80	56	**SORO PETROLEUM** San Antonio[1]	1,124.1	(14.9)	(19.4)	77	–	490.2	75	164.6	69
81	•	**UNIVAR** Seattle[3]	1,117.3	61.2	11.2	66	1,467.8	394.7	83	96.3	81
82	•	**COLUMBIA PICTURES ENTERTAINMENT** New York[3]	1,106.9[15]	–	(62.3)[21]	85	–	3,422.9	24	1,041.8	17
83	80	**INDIANA FARM BUREAU COOP.** Indianapolis[12]	1,102.7	29.0	N.A.[14]		–	243.9	96	87.2	85
84	79	**OGDEN** New York	1,087.8	26.7	57.8	40	6.9	2,201.7	34	425.8	45
85	75	**SERVISTAR** Butler, Pa.[16,22]	1,072.1	21.0	N.A.[14]		–	283.9	93	73.5	89
86	•	**FOSTER WHEELER** Clinton, N.J.[17]	1,053.8	(13.6)	28.5	54	845.8	1,108.6	54	451.1	41
87	96	**BALFOUR MACLAINE** New York[17]	1,041.8	42.0	(4.0)	74	(156.8)	408.8	81	30.8	95
88	•	**ARROW ELECTRONICS** Melville, N.Y.	1,040.9	71.1	23.2	59	–	530.1	73	147.9	75
89	78	**NASHUA** Nashua, N.H.	989.4	14.4	32.5	52	22.3	449.6	79	228.2	58
90	71	**DAIRYMEN** Louisville, Ky.	984.7	(2.4)	N.A.[4]		–	229.2	97	79.6	88
91	82	**HILTON HOTELS** Beverly Hills	953.6	13.0	130.9	19	(6.4)	1,829.5	43	814.1	23
92	•	**HARDWARE WHOLESALERS** Fort Wayne[12]	942.7	13.4	N.A.[14]		–	256.4	95	95.0	82
93	88	**CULBRO** New York	942.5	16.7	2.4	72	(92.4)	395.9	82	125.8	80
94	74	**CHARTER** Cincinnati	930.6	(1.6)	58.6	39	25.0	294.7	92	143.1	74
95	72	**GUY F. ATKINSON** S. San Francisco	920.0	(5.0)	1.0	73	(53.1)	380.6	85	184.2	65
96	•	**TONKA** Minnetonka, Minn.	907.7	137.2	(5.8)	75	–	909.6	62	87.6	84
97	93	**M.D.C. HOLDINGS** Denver	875.7	(5.5)	(31.4)**	80	(215.9)	1,993.4	39	179.5	66
98	84	**PIONEER HI-BRED INTERNATIONAL** Des Moines[1]	874.9	4.2	65.1	35	20.7	864.7	64	576.9	38
99	91	**LORIMAR TELEPICTURES** Culver City, Calif.[3]	861.8	12.5	(86.8)	86	–	1,110.7	53	294.4	55
100	97	**UNITED STATIONERS** Des Plaines, Ill.	856.0	17.3	23.1	60	53.1	358.9	87	151.1	72
		TOTALS	270,967.8		6,343.8			240,397.6		65,405.5	

• Not on last year's list
† Average for the year; see the reference to employees on page 388
‡ Reflects an extraordinary charge of at least 10[%]; see the explanations of profits and earnings per share on page 388
** Reflects an extraordinary credit of at least 10[%]; see the explanations of profits and earnings per share on page 388
N.A. Not available
§ Dividends paid on mandatory redeemable preferred stock subtracted from profits
Figures are for fiscal year ended May 31, 1988
[1] Cooperatives provide only net margin figures, which are not comparable to the profit figures in this list
Figures are FORTUNE estimates

DIVERSIFIED SERVICE COMPANIES

MARKET VALUE		NET PROFITS AS PERCENT OF						EARNINGS PER SHARE				TOTAL RETURN TO INVESTORS				EMPLOYEES		
		SALES		ASSETS		STOCKHOLDERS' EQUITY			% change from 1987	1978-88 annual growth rate				1978-88 annual average				
$ Millions	Rank	%	Rank	%	Rank	%	Rank	1988/$		%	Rank	1988 %	Rank	%	Rank	Number	Rank	
581.5	52	2.7	43	1.1	64	13.8	37	2.60	10.6	12.0	21	28.4	37	19.6	35	4,513	64	51
989.8	38	5.5	21	4.1	44	–		3.51‡	(20.6)	5.6	41	8.0	62	25.5	16	38,786	14	52
758.8	44	3.1	38	4.9	33	11.1	51	1.26**	–	6.5	39	75.0	3	2.4	66	13,742	40	53
196.4	68	0.9	64	6.5	25	15.6§	31	2.02	20.2	15.8	16	22.2	42	23.9	20	2,090	86	54
3,011.7	15	11.0	7	10.3	10	17.3	22	2.20	25.0	16.9	14	(12.6)	82	19.9	33	23,000	24	55
1,538.6	25	7.1	15	11.6	8	17.1	23	1.92	24.8	10.7	24	(6.9)	80	15.2	50	7,209	53	56
726.6	46	4.2	29	13.4	6	125.7	1	2.02	6.3	19.1	8	1.7	67	19.6	36	17,023	32	57
472.0	55	5.1	25	7.1	22	20.3	17	4.63	87.4	13.3	20	71.5	6	12.9	55	4,200	66	58
N.A.		–		–		–		N.A.	–	–		–		–		590	98	59
N.A.		–		–		–		N.A.	–	–		–		–		2,741	79	60
586.5	51	2.0	50	2.0	57	7.6	61	0.87	128.9	(9.8)	58	30.5	34	4.5	65	12,000	45	61
992.5	37	1.3	57	0.5	70	3.8	67	0.41	(81.9)	8.7	30	14.0	52	27.6	12	1,500	89	62
161.9	70	2.5	45	1.5	60	25.3	8	1.25	64.5	–		71.3	7	–		2,739	80	63
N.A.		(3.0)	82	(2.9)	82	–		(1.38)‡	(181.7)	–		–		–		17,000	33	64
53.1	78	0.3	69	1.3	61	7.9	60	0.58	107.1	–		(1.7)	73	–		378	99	65
243.3	66	3.2	36	1.0	65	24.1	11	3.10	26.0	20.6	5	51.7	14	30.6	5	2,695	81	66
889.0	40	4.8	26	18.5	3	26.2	6	2.51	19.5	17.1	13	(3.7)	76	29.6	7	3,750	69	67
2,294.7	17	(9.8)	89	(3.1)	83	(36.0)	84	(3.54)	–	–		71.7	5	–		4,400	65	68
150.1	73	0.6	67	1.3	63	5.5	66	0.66	10.0	4.2	43	40.9	23	12.6	56	8,100	51	69
784.4	43	2.0	49	1.5	59	8.1	59	0.26	–	–		(4.4)	78	–		9,700	50	70
732.7	45	3.6	34	4.7	37	10.2	55	1.63	(16.4)	5.5	42	15.7	50	13.4	53	13,500	42	71
N.A.		(2.6)	80	(5.4)	86	(91.4)	86	(8.44)	–	–		–		–		11,583	46	72
1,386.4	28	8.5	9	14.3	5	24.7	9	2.70	190.3	–		38.2	27	–		3,450	73	73
343.7	61	2.7	44	0.6	67	12.5	43	1.21	(14.8)	11.1	22	34.9	30	29.9	6	2,300	84	74
982.0	39	5.2	24	3.8	47	18.1	20	2.72	20.9	10.2	26	18.4	45	22.8	24	14,700	39	75
809.3	41	3.8	32	6.6	24	13.1	40	2.73	31.3	10.6	25	(5.9)	79	15.5	48	18,300	28	76
138.6	74	0.8	66	4.2	41	11.9	48	1.68	–	0.5	51	50.6	16	13.5	52	2,900	76	77
286.4	63	1.4	55	5.0	32	10.0	56	1.91	67.5	9.9	27	44.0	21	27.5	13	4,800†	61	78
248.2	65	2.2	47	7.2	18	14.5	34	2.81	146.5	15.2	18	51.7	13	25.3	17	3,258	74	79
166.5	69	(1.7)	79	(3.9)	84	(11.8)	77	(2.04)	–	–		8.0	63	6.4	63	1,900	87	80
291.7	62	1.0	60	2.8	50	11.6	49	1.27	1,054.5	0.6	50	45.4	18	28.6	9	2,546	82	81
2,029.8	20	(5.6)	86	(1.8)	80	(6.0)	74	(0.55)	(182.1)	–		50.8	15	–		6,500	58	82
N.A.		–		–		–		N.A.	–	–		–		–		858	95	83
1,144.9	34	5.3	23	2.6	52	13.6	38	1.44	6.7	(3.3)	55	9.8	59	19.7	34	37,000	18	84
N.A.		–		–		–		N.A.	–	–		–		–		1,336	91	85
626.0	48	2.7	41	2.6	53	6.3	65	0.81	800.0	(4.3)	56	8.7	61	10.7	59	7,925	52	86
41.7	79	(0.4)	74	(1.0)	75	(12.9)	78	(0.68)	(156.7)	–		0.3	69	18.4	39	813	96	87
66.3	77	2.2	46	4.4	40	12.0§	46	1.55	–	3.0	46	(1.9)	74	5.7	64	2,775	78	88
380.4	58	3.3	35	7.2	19	14.3	35	3.38	24.3	3.3	44	38.4	26	15.8	46	7,000	55	89
N.A.		–		–		–		N.A.	–	–		–		–		4,091	68	90
2,871.5	16	13.7	3	7.2	20	16.1	27	2.72	(2.7)	7.6	33	52.8	11	20.7	28	38,000	15	91
N.A.		–		–		–		N.A.	–	–		–		–		750†	97	92
161.0	71	0.3	70	0.6	69	1.9	69	0.56	(92.4)	–		20.2	43	28.3	11	4,800	62	93
241.2	67	6.3	19	19.9	2	39.5	3	1.22	24.5	0.4	52	19.9	44	2.2	68	50	100	94
152.5	72	0.1	73	0.3	73	0.6	70	0.12	(52.0)	–		9.5	60	–		5,949†	59	95
112.6	75	(0.6)	75	(0.6)	74	(6.6)	75	(0.75)	–	–		(1.4)	72	22.1	26	3,607†	71	96
31.8	81	(3.6)	84	(1.6)	78	(17.5)	80	(1.81)**	(233.1)	–		(51.0)	83	–		979	94	97
1,185.5	32	7.4	14	7.5	17	11.3	50	2.05	21.3	9.1	28	10.4	58	16.1	45	4,645	63	98
N.A.		(10.1)	90	(7.8)	88	(29.5)	83	N.A.	–	–		26.8	38	–		1,329	92	99
378.1	59	2.7	42	6.4	26	15.3	33	1.50	51.5	–		30.0	35	–		3,000	75	100
176,259.2																2,011,433		

* Figures are for fiscal year ended April 30, 1988.
† Name changed during spinoff from Henley Group December 31, 1988.
‡ Company was No. 331 on last year's FORTUNE 500 Industrials.
** Figures reflect acquisition of Fischbach (No. 65 on last year's Diversified Service list) September 30, 1987.
†† Figures reflect acquisition of Pulte Home (No. 64 on last year's Diversified Service list) December 7, 1987.
‡‡ Name changed from American Hardware Supply July 1, 1988.
§§ Company was No. 284 on last year's FORTUNE 500 Industrials.
¶¶ Name changed from Kay May 26, 1988.

THE 100 LARGEST

BANKING

RANK BY ASSETS 1988	1987	COMPANY	ASSETS $ Millions	ASSETS % change from 1987	DEPOSITS $ Millions	DEPOSITS Rank	LOANS[2] $ Millions	LOANS Rank	PROFITS $ Millions	PROFITS Rank	PROFITS % change from 1987
1	1	**CITICORP** New York	207,666.0	2.0	124,072.0	1	144,992.0	1	1,858.0	1	–
2	2	**CHASE MANHATTAN CORP.** New York	97,455.1	(1.7)	64,056.7	3	66,859.6	2	1,058.9	2	–
3	3	**BANKAMERICA CORP.** San Francisco	94,647.0	2.0	77,150.0	2	65,420.0	3	726.0**	6	–
4	5	**J.P. MORGAN & CO.** New York	83,923.0	11.3	42,469.0	7	26,842.0	10	1,001.8	3	1,102.6
5	6	**SECURITY PACIFIC CORP.** Los Angeles	77,870.0	6.2	47,653.0	5	54,329.0	4	638.9	8	3,969.4
6	4	**CHEMICAL BANKING CORP.** New York[3]	67,349.0	(13.9)	47,966.0	4	39,550.0	6	753.6	5	–
7	7	**MANUFACTURERS HANOVER CORP.** New York	66,710.0	(9.1)	41,714.0	8	46,678.0	5	952.0**	4	–
8	9	**FIRST INTERSTATE BANCORP** Los Angeles	58,193.9	14.3	44,148.7	6	36,603.1	8	129.4**	37	–
9	8	**BANKERS TRUST NEW YORK CORP.** New York	57,942.3	2.5	32,490.7	11	22,801.2	15	647.7	7	54,932.5
10	28	**BANK OF NEW YORK CO.** New York[4]	47,388.1	105.5	32,706.4	10	32,122.0	9	213.0	27	106.0
11	11	**WELLS FARGO & CO.** San Francisco	46,616.5	5.5	35,068.8	9	36,917.9	7	512.5	10	908.9
12	10	**FIRST CHICAGO CORP.** Chicago	44,432.0	.5	32,018.0	12	26,558.0	11	513.1	9	–
13	15	**PNC FINANCIAL CORP** Pittsburgh	40,811.1	29.8	27,453.4	13	23,501.6	14	442.7	11	116.1
14	12	**BANK OF BOSTON CORP.** Boston	36,060.6	5.7	23,590.6	16	25,767.8	12	322.3	14	1,539.3
15	17	**BANK OF NEW ENGLAND CORP.** Boston	32,200.0	9.2	24,623.0	14	24,614.0	13	281.7	18	100.4
16	16	**MELLON BANK CORP.** Pittsburgh	31,153.0	2.1	21,325.0	19	18,075.0	23	(65.0)	96	–
17	14	**CONTINENTAL BANK CORP.** Chicago[5]	30,578.0	(5.6)	16,967.0	30	15,585.0	27	315.8	15	–
18	18	**NCNB CORP.** Charlotte, N.C.	29,848.4	3.2	20,670.1	21	18,676.9	20	252.5	19	51.3
19	19	**FIRST FIDELITY BANCORP.** Newark, N.J.; Phila.	29,777.0	3.2	21,562.4	18	19,173.9	18	33.9	86	(60.7)
20	21	**SUNTRUST BANKS** Atlanta	29,177.1	7.3	23,944.5	15	19,799.6	17	308.7	16	9.2
21	•	**FLEET/NORSTAR FINANCIAL GROUP** Providence[6]	29,052.2	18.4	20,701.2	20	16,321.0	25	335.8	13	81.5
22	20	**FIRST UNION CORP.** Charlotte, N.C.	28,977.6	4.9	20,033.3	23	18,673.2	21	296.9	17	4.9
23	23	**SHAWMUT NATIONAL CORP.** Boston, Hartford	28,413.8	7.3	18,987.6	26	18,382.3	22	242.5	22	52.6
24	24	**MARINE MIDLAND BANKS** Buffalo[7]	25,964.1	2.0	17,340.8	28	21,621.8	16	160.5**	33	–
25	26	**BARNETT BANKS** Jacksonville, Fla.	25,748.4	9.8	22,482.2	17	19,153.1	19	226.4	25	13.8
26	13	**NCNB TEXAS NATIONAL BANK** Dallas[8]	25,573.6	(23.0)	20,474.8	22	11,489.4	37	NA		–
27	25	**BANC ONE CORP.** Columbus, Ohio	25,273.7	34.9	19,501.8	24	17,087.4	24	340.2	12	62.9
28	29	**REPUBLIC NEW YORK CORP.** New York	24,519.0	9.5	16,246.3	33	5,544.0	62	169.6	32	887.9
29	22	**FIRST BANK SYSTEM** Minneapolis	24,248.0	(9.7)	17,204.0	29	15,676.0	26	(310.0)	97	(725.0)
30	27	**NBD BANCORP** Detroit	24,176.2	3.5	19,494.8	25	14,444.6	30	227.2	24	41.3
31	30	**SOVRAN FINANCIAL CORP.** Norfolk, Virginia	22,483.8	5.9	17,493.1	27	15,128.2	29	243.1	21	11.8
32	34	**FIRST WACHOVIA CORP.** Winston-Salem, N.C.	21,815.2	12.8	16,492.0	32	13,561.7	34	244.3	20	38.3
33	31	**NORWEST CORP.** Minneapolis	21,750.4	4.8	13,901.8	38	14,080.7	31	211.2	28	–
34	39	**NATIONAL CITY CORP.** Cleveland	21,623.4	45.0	16,906.3	31	14,046.8	32	233.2	23	140.6
35	32	**CITIZENS AND SOUTHERN CORP.** Atlanta	21,097.5	3.2	16,082.0	34	13,890.9	33	206.3	29	30.6
36	36	**MIDLANTIC CORP.** Edison, N.J.	19,697.4	10.7	15,793.1	35	15,247.0	28	222.9	26	38.0
37	44	**NATIONAL WESTMINSTER BANCORP** New York[9]	19,013.4	64.8	15,653.5	36	12,929.2	35	129.9**	36	–
38	33	**MCORP** Dallas‡‡	18,743.0	(7.3)	15,521.0	37	11,105.0	38	(940.0)	98	–
39	37	**MNC FINANCIAL** Baltimore	18,015.2	8.1	12,309.2	39	12,625.3	36	182.2	30	22.5
40	38	**CORESTATES FINANCIAL CORP.** Philadelphia	16,430.9	9.3	11,115.2	44	10,808.3	39	179.5	31	10.6
41	41	**SOUTHEAST BANKING CORP.** Miami	15,623.2	21.7	11,505.0	42	9,765.6	41	75.3	61	96.2
42	75	**UNION BANK** San Francisco[10]	15,010.3	147.6	11,911.0	40	10,746.6	40	60.2	•67	50.1
43	52	**BOATMEN'S BANCSHARES** St. Louis[11]	14,675.8	48.5	11,223.8	43	8,757.1	44	69.8‡	63	(14.2)
44	43	**KEYCORP** Albany, N.Y.	14,645.7	26.3	11,580.6	41	9,205.4	43	119.9	39	49.9
45	40	**U.S. BANCORP** Portland, Oreg.	14,383.4	7.7	7,844.6	57	9,549.9	42	123.9	38	14.2
46	•	**FIRST CITY BANCORP. OF TEXAS** Houston[1]	12,195.5	–	9,842.9	45	7,032.1	51	N.A.		–
47	45	**VALLEY NATIONAL CORP.** Phoenix	11,765.7	4.1	9,511.9	46	7,623.9	45	67.3	65	–
48	62	**MICHIGAN NATIONAL CORP.** Farmington Hills, Mich.	11,305.7	33.3	9,213.6	48	7,339.7	48	93.2	47	26.0
49	48	**HARRIS BANKCORP** Chicago[1]	11,276.4	6.8	8,349.2	53	6,383.9	55	90.1	49	111.4
50	51	**COMERICA** Detroit	11,145.5	10.2	9,249.8	47	6,790.2	53	112.0	41	55.8

• Not on last year's list
** Reflects an extraordinary credit of at least 10% ; see the explanations of "profits" and "earnings per share" on page 388
* Average for the year ; see the reference to "employees" on page 388
‡ Reflects an extraordinary charge of at least 10% ; see the explanations of "profits" and "earnings per share" on page 388
N.A. Not available
§ Dividends paid on mandatory redeemable preferred stock subtracted from profits
‡‡ Estimate

As of December 31, 1988. All companies on the list must have more than 80% of their assets in chartered commercial banking institutions.
Net of unearned discount and loan loss revenue. Figure includes lease financing.
Name changed from Chemical New York Corp. April 26, 1988.

COMMERCIAL BANKING COMPANIES

STOCKHOLDERS' EQUITY		MARKET VALUE		PROFITS AS PERCENT OF ASSETS		PROFITS AS PERCENT OF STOCKHOLDERS' EQUITY		EARNINGS PER SHARE				TOTAL RETURN TO INVESTORS				EMPLOYEES		
$ Millions	Rank	$ Millions	Rank	%	Rank	%	Rank	1988 $	% change from 1987	1978-88 annual growth rate %	Rank	1988 %	Rank	1978-88 annual average %	Rank	Number	Rank	
9,864.0	1	9,532.0	1	0.9	55	18.8§	11	5.36	–	11.0	42	49.2	11	14.5	72	89,000	1	1
4,842.7	3	3,261.2	8	1.1	22	21.8§	4	11.55	–	15.4	11	40.6	16	14.6	71	41,570	3	2
4,149.0	4	4,585.9	4	0.8	72	17.5	17	3.79**	–	1.1	77	156.4	1	0.9	84	61,020	2	3
5,778.0	2	6,776.2	2	1.2	8	17.3	18	5.38	1,279.5	13.0	26	0.4	77	17.5	60	15,363	21	4
3,843.0	6	4,777.0	3	0.8	69	16.6	26	5.59	55,800.0	10.0	48	50.7	9	19.3	47	41,363	4	5
3,967.0	5	2,298.3	17	1.1	16	19.0	10	12.02	–	14.4	16	61.1	7	14.9	69	27,225	6	6
3,251.0	8	1,840.7	25	1.4	4	29.3	1	18.27**	–	12.6	31	49.9	10	7.6	81	23,557	7	7
2,239.9	13	2,233.6	18	0.2	92	5.8	91	2.63**	–	(4.9)	82	17.5	52	12.2	77	36,644	5	8
3,498.6	7	3,568.7	7	1.1	17	18.5	13	8.09	40,350.0	17.6	6	16.4	55	21.9	29	12,751	31	9
2,792.3	9	2,849.2	13	0.4	84	7.6	84	5.61	88.9	10.5	45	51.9	8	20.2	43	17,766	14	10
2,579.4	10	3,783.3	5	1.1	20	19.9	8	9.20	1,669.2	14.1	18	46.0	12	22.4	21	19,700	11	11
2,369.0	12	2,407.1	16	1.2	10	21.7	5	8.20	–	9.6	51	66.2	5	11.1	78	16,069	18	12
2,504.8	11	3,780.1	6	1.1	23	17.7	15	5.09	72.0	13.0	28	11.4	61	22.1	27	15,823	19	13
2,085.3	14	1,832.0	26	0.9	56	15.5	37	4.66	4,560.0	15.1	12	9.5	65	21.2	36	19,500	12	14
1,641.0	21	1,479.3	31	0.9	60	17.2	19	4.06	99.0	13.0	27	(7.6)	84	21.4	34	17,464	15	15
1,202.0	34	961.4	41	(0.2)	96	(6.5)§	96	(3.65)	–	–		1.4	76	5.9	82	16,522†	16	16
1,605.0	22	879.3	44	1.0	31	19.7	9	5.19	–	(11.7)	83	76.9	4	(11.1)	86	8,105	42	17
1,942.2	17	3,119.4	10	0.8	63	13.0	64	2.90	42.9	11.2	41	64.2	6	21.6	31	12,979	29	18
1,513.9	24	1,751.9	28	0.1	94	2.2	93	0.29	(76.4)	–		(17.4)	86	21.8	30	14,100	24	19
1,880.3	19	2,952.6	12	1.1	27	16.4	30	2.38	9.7	11.5	39	12.4	60	17.9	58	19,936	9	20
2,049.3	15	3,035.0	11	1.2	9	16.4	31	3.07	65.9	14.5	14	17.2	54	27.0	3	20,054	8	21
1,923.5	18	2,540.4	14	1.0	32	15.4	39	2.76	8.2	11.8	38	18.0	49	22.0	28	19,761	10	22
1,702.8	20	1,867.1	24	0.9	62	14.2	55	3.28	181.1	11.9	37	25.8	31	22.2	23	12,867†	30	23
1,179.0	35	N.A.		0.6	77	13.6	61	N.A.	–	–		–		–		13,403	28	24
1,464.4	26	2,077.5	22	0.9	58	15.4§	38	3.75	13.3	16.5	8	23.5	38	23.8	14	18,500	13	25
1,070.2	38	N.A.		–		–		N.A.	–	–		–		–		14,711	22	26
2,015.4	16	3,215.0	9	1.3	6	16.9	21	2.61	31.8	13.4	23	5.8	71	21.5	33	16,370	17	27
1,426.3	29	1,303.0	34	0.7	74	11.9	74	5.01	4,454.5	12.3	33	(1.0)	78	23.0	17	3,615	84	28
1029.0	40	1,422.0	32	(1.3)	97	(30.1)	97	(5.25)	(819.2)	–		9.4	66	15.1	68	9,004*	36	29
1,503.5	25	2,002.7	23	0.9	45	15.1	44	4.81	38.6	9.8	49	19.3	44	21.3	35	12,114*	32	30
1,428.1	28	2,104.8	20	1.1	24	17.0	20	4.09	11.4	8.2	59	5.9	70	21.6	32	14,519	23	31
1,557.3	23	2,459.9	15	1.1	15	15.7	34	4.34	34.0	14.5	15	17.3	53	21.2	38	13,764	27	32
1,267.5	33	1,705.9	29	1.0	39	16.7	25	4.52	–	6.7	68	35.8	18	13.0	75	15,400	20	33
1,321.2	32	2,079.5	21	1.1	25	17.7	16	3.84	64.1	8.6	56	18.3	47	17.8	59	14,092	25	34
1,354.2	30	2,131.6	19	1.0	38	14.7	42	3.25	29.0	25.0	4	11.3	62	22.2	24	13,871	26	35
1,326.4	31	1,643.8	30	1.1	11	16.8	22	5.85	33.0	13.2	25	18.7	46	22.1	26	10,580	33	36
1,461.0	27	N.A.		0.7	75	8.9	81	N.A.	–	–		–		–		8,140	41	37
309.0	96	12.0	88	(5.0)	98	(304.2)	98	(21.16)	–	–		(73.7)	87	(22.8)	87	7,962	43	38
1,103.5	37	1,407.5	33	1.0	34	16.4§	29	6.28	21.0	15.5	10	26.9	29	25.1	12	8,900	37	39
1,117.8	36	1,766.1	27	1.1	21	16.1	33	4.50	15.1	12.5	32	25.2	32	26.5	5	8,222	40	40
752.2	45	842.4	45	0.5	82	10.0	79	2.35	106.1	5.2	71	23.8	36	15.7	66	8,341	39	41
819.8	43	768.6	49	0.4	88	7.3	85	3.51	16.6	4.0	74	–		–		7,764	44	42
1,029.5	39	1,151.5	35	0.5	83	6.8§	87	2.01‡	(51.4)	(0.8)	79	5.3	72	17.9	57	8,600	38	43
933.7	42	973.7	40	0.8	70	12.8	68	2.90	28.9	8.5	57	(1.1)	79	21.0	40	10,515	34	44
943.8	41	1,137.3	36	0.9	61	13.1	63	3.02	14.0	7.2	65	18.2	48	12.7	76	9,668	35	45
646.8	55	409.1	81	–		–		N.A.	–	–		–		–		6,681	48	46
617.6	56	574.9	66	0.6	78	10.9	76	3.41	–	3.4	75	(4.2)	82	10.2	79	7,275	47	47
573.3	59	639.6	59	0.9	68	16.2	32	6.07	25.2	4.9	72	13.4	59	16.1	63	6,500	50	48
705.0	50	N.A.		0.8	71	12.8	70	13.51	111.4	12.7	30	–		–		5,290	64	49
668.4	52	769.5	48	1.0	35	16.8	24	6.78	64.2	9.3	52	22.7	40	18.9	50	6,611	49	50

* Figures reflect acquisition of Irving Bank Corp. (No. 25 among last year's Commercial Banks) November 29, 1988.
† Name changed from Continental Illinois Corp. December 12, 1988.
‡ Company was No. 12 on last year's Diversified Financial list.
§ Wholly owned by Hongkong & Shanghai Banking Corp. (No. 31 among last year's largest international banks).
** Created by the FDIC from certain assets and liabilities of First RepublicBank Corp. (No. 13 among last year's Commercial Banks) July 29, 1988. The company is 80% owned by the FDIC and 20% owned by NCNB Corp. (No. 18).
†† Formed by the merger of National Westminster Bank USA (No. 44 among last year's Commercial Banks) and First Jersey National Corp. February 1, 1988. The company is wholly owned by National Westminster Bank (No. 15 among last year's largest international banks).
‡‡ Formed by the merger of California First Bank (No. 79 among last year's Commercial Banks) and Union Bancorp (No. 42 last year) November 1, 1988. The company is 76.5% owned by Bank of Tokyo (No. 21 among last year's largest international banks).

BANKING

RANK BY ASSETS 1988	1987	COMPANY	ASSETS $ Millions	ASSETS % change from 1987	DEPOSITS $ Millions	DEPOSITS Rank	LOANS $ Millions	LOANS Rank	PROFITS $ Millions	PROFITS Rank	PROFITS % change from 1987
51	47	**SIGNET BANKING CORP.** Richmond	11,001.6	2.6	7,545.9	59	6,820.8	52	152.5	34	550.1
52	50	**UNITED JERSEY BANKS** Princeton	10,887.9	7.4	8,893.8	49	7,209.4	50	116.1	40	13.0
53	49	**AMERITRUST CORP.** Cleveland	10,738.3	3.9	8,358.8	52	7,306.0	49	103.5	43	–
54	54	**FIRST AMERICAN BANKSHARES** Washington	10,639.7	10.6	8,380.0	51	6,479.8	54	80.3	57	56.7
55	53	**CRESTAR FINANCIAL CORP.** Richmond	10,408.3	6.9	7,981.7	54	7,364.4	47	86.7	53	52.9
56	58	**SOCIETY CORP.** Cleveland	10,009.6	10.3	7,675.6	58	6,175.4	57	100.1	44	10.0
57	55	**NORTHERN TRUST CORP.** Chicago	9,903.9	6.2	6,752.6	63	4,514.6	69	109.3	42	–
58	60	**FIRST OF AMERICA BANK CORP.** Kalamazoo, Mich.	9,769.4	12.6	8,675.4	50	6,151.3	58	88.8	50	13.5
59	63	**MERIDIAN BANCORP** Reading, Pa.	9,523.0	13.5	7,125.4	60	6,068.1	59	86.1	54	14.2
60	59	**HUNTINGTON BANCSHARES** Columbus, Ohio	9,506.0	7.6	7,106.7	61	5,815.3	61	87.6	52	83.1
61	61	**BAYBANKS** Boston	9,496.5	11.6	7,899.7	55	7,516.0	46	88.5	51	27.6
62	57	**MANUFACTURERS NATIONAL CORP.** Detroit	9,310.9	2.6	7,868.4	56	6,029.6	60	96.3	46	1,351.6
63	64	**DOMINION BANKSHARES CORP.** Roanoke, Va.	9,204.0	21.1	7,082.1	62	6,289.2	56	83.0	56	17.7
64	68	**STATE STREET BOSTON CORP.** Boston	8,372.0	20.4	5,388.4	72	2,128.8	98	92.3	48	11.1
65	66	**AMSOUTH BANCORP.** Birmingham, Ala.	8,312.9	10.4	6,510.9	64	5,291.8	64	79.8	58	32.5
66	72	**OLD KENT FINANCIAL CORP.** Grand Rapids	7,854.1	21.7	6,504.8	65	4,628.1	66	77.1	59	21.7
67	67	**FIRSTAR CORP.** Milwaukee	7,841.9	8.1	6,293.5	66	4,903.3	65	132.3**	35	–
68	65	**FLORIDA NAT'L BANKS OF FLORIDA** Jacksonville	7,827.7	3.6	6,089.7	67	4,526.7	68	34.9	85	7.3
69	71	**FIRST AMERICAN CORP.** Nashville	7,204.0	10.9	5,817.8	68	4,425.7	70	30.4	89	(36.3)
70	69	**RIGGS NATIONAL CORP.** Washington	7,001.9	3.2	5,537.3	70	3,513.8	87	37.0	84	3,554.1
71	73	**BANK OF TOKYO TRUST CO.** New York[3]	6,945.7	8.4	5,497.6	71	3,595.9	84	37.2	83	255.4
72	•	**BANCAL TRI-STATE CORP.** San Francisco[4]	6,887.8	46.4	4,322.6	89	5,488.5	63	25.5**	91	–
73	81	**MARSHALL & ILSLEY CORP.** Milwaukee	6,774.9	21.9	5,211.1	74	4,021.7	76	76.2	60	31.6
74	76	**SOUTHTRUST CORP.** Birmingham, Ala.	6,645.3	12.2	5,119.0	76	4,024.8	75	67.6	64	11.9
75	77	**BANCORP HAWAII** Honolulu	6,634.7	13.9	5,661.5	69	4,014.1	77	74.9	62	38.9
76	70	**MERCANTILE BANCORP.** St. Louis	6,459.2	(4.5)	5,309.4	73	4,557.6	67	28.7	90	–
77	•	**SANWA BANK CALIFORNIA** Los Angeles[1]	6,430.2	21.0	5,139.1	75	4,380.2	71	31.8	88	43.1
78	78	**FIRST PENNSYLVANIA CORP.** Philadelphia	6,406.7	10.4	4,757.3	77	4,114.4	74	58.2	70	–
79	80	**FIRST MARYLAND BANCORP** Baltimore	6,274.4	11.2	4,352.3	86	4,323.6	72	52.4	74	15.5
80	79	**FIRST TENNESSEE NATIONAL CORP.** Memphis	5,972.0	3.6	4,656.8	82	3,531.8	85	52.3	75	59.3
81	83	**TRUSTCORP** Toledo	5,946.6	8.1	4,472.4	84	3,964.4	78	1.3	95	(89.5)
82	84	**INDIANA NATIONAL CORP.** Indianapolis	5,927.2	8.6	4,303.4	90	3,787.0	80	55.8	71	106.4
83	94	**HIBERNIA CORP.** New Orleans	5,834.3	20.4	4,729.4	78	4,175.0	73	53.0	73	14.0
84	82	**UNITED BANKS OF COLORADO** Denver	5,811.6	5.6	4,623.6	83	3,025.8	93	9.0	94	1,247.1
85	85	**BANCO POPULAR DE PUERTO RICO** San Juan	5,661.4	5.8	4,715.8	80	3,023.5	94	47.1	80	25.6
86	•	**FIRST NATIONAL CINCINNATI CORP.** Cincinnati	5,656.6	24.8	4,723.1	79	3,834.2	79	58.5	68	27.7
87	93	**SOUTH CAROLINA NATIONAL CORP.** Columbia	5,655.2	15.0	4,028.4	93	3,767.0	81	54.5	72	3.0
88	86	**COMMERCE BANCSHARES** Kansas City, Mo.	5,444.0	3.3	4,683.4	81	2,953.7	95	49.0	77	22.4
89	74	**EUROPEAN AMERICAN BANK** New York[2]	5,335.1	(16.7)	4,385.4	85	3,283.1	88	97.3**	45	–
90	•	**FIFTH THIRD BANCORP** Cincinnati	5,245.8	29.5	4,093.6	92	3,695.4	82	84.2	55	24.7
91	91	**EQUITABLE BANCORP.** Baltimore	5,245.0	3.6	3,517.2	98	2,935.3	97	48.2	79	18.6
92	•	**MERCHANTS NATIONAL CORP.** Indianapolis	5,225.7	24.4	3,756.8	95	2,939.6	96	44.1	81	157.0
93	•	**FIRST ALABAMA BANCSHARES** Montgomery	5,173.6	17.8	4,331.7	87	3,134.8	92	58.2	69	3.6
94	90	**FIRST SECURITY CORP.** Salt Lake City	5,159.0	1.7	3,902.7	94	3,622.5	83	33.0	87	22.2
95	92	**FIRST FLORIDA BANKS** Tampa	5,131.5	4.1	4,327.9	88	3,514.5	86	48.9	78	1.1
96	•	**FUJI BANK & TRUST CO.** New York[3]	4,910.1	5.1	3,232.8	99	1,833.1	100	11.6	93	44.4
97	•	**BANK SOUTH CORP.** Atlanta	4,881.2	18.0	3,552.5	97	3,223.1	89	43.4	82	61.1
98	•	**FIRST VIRGINIA BANKS** Falls Church, Va.	4,795.8	8.2	4,223.1	91	3,150.8	91	60.9	66	8.3
99	•	**INDUSTRIAL BANK OF JAPAN TRUST CO.** N.Y.	4,747.5	16.6	3,089.9	100	2,061.7	99	15.4	92	1,284.3
100	•	**CENTRAL FIDELITY BANKS** Richmond	4,731.4	10.4	3,744.5	96	3,179.5	90	49.5	76	4.6
		TOTALS	2,161,204.9		1,521,668.7		1,360,185.8		17,501.2		

• Not on last year's list
** Reflects an extraordinary credit or charge. See the explanations of profits and earnings per share on page 388.
† Average for the year. See the reference to employees on page 388.
N.A. Not available.
Figures reflect pooling of Interstate Bancorp, No. 81 on last year's list, with Chemical Bank, No. 48 on last year's list. New owners have changed fiscal year-end to December 31. Last year's figures are for the 12 months ended August 31, 1988.
[1] Wholly owned by Bank of Montreal (No. 60 among last year's largest international banks).
[2] Name changed from First Wisconsin Corp. January 1, 1989.
[3] Wholly owned by Bank of Tokyo (No. 21 among last year's largest international banks).

COMMERCIAL BANKING COMPANIES

STOCKHOLDERS' EQUITY		MARKET VALUE		PROFITS AS PERCENT OF ASSETS		PROFITS AS PERCENT OF STOCKHOLDERS' EQUITY		EARNINGS PER SHARE				TOTAL RETURN TO INVESTORS				EMPLOYEES		
$ Millions	Rank	$ Millions	Rank	%	Rank	%	Rank	1988/$	% change from 1987	1978-88 annual growth rate %	Rank	1988 %	Rank	1978-88 annual average %	Rank	Number	Rank	
722.5	48	928.0	42	1.4	5	21.1	6	5.71	571.8	14.8	13	31.3	24	22.4	20	5,797	57	51
800.0	44	1,037.9	39	1.1	26	14.5	51	2.58	11.7	10.5	44	(2.4)	80	22.8	18	6,446	51	52
717.7	49	909.2	43	1.0	41	14.4	53	2.62	–	6.3	69	33.3	21	17.5	61	5,899	56	53
742.6	46	N.A.		0.8	73	10.8	77	N.A.	–	–		–		–		5,730	58	54
657.4	54	752.6	51	0.8	66	13.2	62	2.96	54.2	12.2	35	13.6	58	21.2	37	5,992	55	55
689.5	51	804.2	47	1.0	36	14.5	50	4.19	11.7	66.9	1	6.4	69	19.1	49	6,076	53	56
522.2	63	754.9	50	1.1	18	20.9	7	6.61	–	14.0	20	26.6	30	18.5	52	5,387	63	57
722.8	47	509.4	73	0.9	49	12.3	73	6.16	3.9	10.9	43	9.2	67	23.4	15	7,590	45	58
666.1	53	830.5	46	0.9	52	12.9	66	2.21	6.8	4.5	73	19.5	43	14.6	70	6,049	54	59
570.4	60	735.1	53	0.9	47	15.4	40	2.33	64.3	9.6	50	16.3	56	19.8	45	5,150	65	60
564.9	61	699.0	55	0.9	46	15.7	35	5.57	14.8	14.2	17	18.9	45	25.3	9	5,665	60	61
573.9	58	709.4	54	1.0	30	16.8	23	6.40	1,322.2	7.4	63	25.0	33	20.5	41	5,463	62	62
580.4	57	738.3	52	0.9	53	14.3	54	2.14	1.9	6.9	66	(4.4)	83	15.8	65	5,548	61	63
505.6	67	1,090.1	38	1.1	19	18.3	14	2.51	12.6	27.3	3	35.3	19	40.5	1	7,298	46	64
533.4	62	633.1	62	1.0	42	15.0	47	3.30	25.5	8.4	58	3.4	73	13.8	73	4,843	68	65
511.2	64	671.6	56	1.0	37	15.1	46	2.95	5.0	10.4	47	23.8	37	18.4	54	4,347†	70	66
506.7	66	639.1	60	1.7	2	26.1	2	5.92**	–	19.1	5	33.1	22	23.1	16	6,203	52	67
477.3	69	644.7	58	0.4	85	7.3	86	1.31	7.4	7.2	61	31.3	25	15.4	67	4,918	67	68
458.3	70	552.5	68	0.4	87	6.6	89	1.32	(43.6)	2.3	76	10.1	64	20.3	42	4,106	73	69
322.5	95	341.0	86	0.5	80	11.5	75	2.54	3,528.6	5.3	70	32.9	23	15.8	64	2,220	97	70
375.5	86	N.A.		0.5	79	9.9	80	N.A.	–	–		–		–		500	98	71
254.0	98	N.A.		0.4	89	10.0	78	N.A.	–	–		–		–		3,551	86	72
497.7	68	637.5	61	1.1	14	15.3	41	3.48	10.1	8.8	55	2.8	75	17.9	56	5,699	59	73
445.8	72	617.8	63	1.0	33	15.2	43	2.67	13.8	11.5	40	17.8	50	20.1	44	4,066	75	74
400.0	78	670.3	57	1.1	12	18.7	12	5.25	37.4	13.3	24	30.7	27	22.7	19	3,473	87	75
428.9	74	426.0	79	0.4	86	6.7	88	1.79	–	(1.2)	80	40.9	15	16.6	62	4,568	69	76
379.4	84	N.A.		0.5	81	8.4	83	N.A.	–	–		–		–		3,400	88	77
351.0	89	514.1	70	0.9	51	16.6	27	1.36	–	(3.7)	81	44.9	13	0.7	85	3,680	82	78
410.1	77	N.A.		0.8	65	12.8	71	2.93	10.6	8.1	60	106.9	2	25.9	7	3,980	76	79
372.5	87	430.9	78	0.9	59	14.0	58	3.34	52.5	9.0	54	15.5	57	19.6	46	4,142	72	80
362.5	88	424.0	80	0.0	95	0.3	95	(0.13)	(104.1)	–		31.1	26	13.8	74	3,820	79	81
393.1	80	509.4	74	0.9	44	14.2	56	3.21	102.8	42.8	2	24.1	35	26.4	6	2,948	94	82
341.9	92	513.5	71	0.9	50	15.5	36	2.60	11.4	14.0	21	19.9	42	24.7	12	2,579	95	83
415.5	75	242.6	87	0.2	93	2.2	94	0.45	–	(14.0)	84	(11.5)	85	4.4	83	3,779	81	84
334.9	93	405.0	82	0.8	67	14.1	57	4.72	25.9	12.9	29	38.7	17	25.2	11	4,996	66	85
429.6	73	577.7	65	1.0	29	13.6	60	4.05	8.9	7.4	62	2.9	74	19.2	48	3,579	85	86
395.2	79	513.3	72	1.0	40	13.8	59	2.51	2.9	13.7	22	28.3	28	25.5	8	3,916	77	87
379.2	85	431.5	77	0.9	54	12.9	65	4.92	26.5	8.1	61	95.7	3	18.6	51	3,637	83	88
389.2	81	N.A.		1.8	1	25.0	3	N.A.	–	–		–		–		2,534	96	89
508.6	65	1,115.4	37	1.6	3	16.5	28	3.93	28.9	17.6	7	35.1	20	30.0	2	3,145	91	90
323.2	94	349.7	85	0.9	48	14.9	48	2.57	23.2	12.0	36	21.3	41	26.7	4	3,293	89	91
342.9	91	403.6	83	0.8	64	12.8	67	3.05	160.7	6.7	67	44.8	14	18.5	53	3,038	93	92
455.6	71	561.4	67	1.1	13	12.8	69	1.77	3.5	9.2	53	17.6	51	18.2	55	3,895	78	93
385.9	82	354.1	84	0.6	76	8.6	82	2.70	22.2	(0.0)	78	23.3	39	8.0	80	4,100	74	94
384.7	83	518.2	69	1.0	43	12.7	72	3.08	2.0	14.0	19	24.9	34	22.1	25	3,808	80	95
253.7	99	N.A.		0.2	91	4.6	92	N.A.	–	–		–		–		176	100	96
287.5	97	433.6	76	0.9	57	15.1	45	1.28	36.7	16.1	9	(2.9)	81	25.3	10	3,080	92	97
412.2	76	588.6	64	1.3	7	14.8	49	2.90	5.5	10.5	46	6.7	68	21.1	39	4,343	71	98
232.3	100	N.A.		0.3	90	6.6	90	N.A.	–	–		–		–		205	99	99
342.9	90	458.7	75	1.0	28	14.4	52	3.20	6.3	12.3	34	10.6	63	22.3	22	3,293	90	100
121,978.6		130,387.5														1,071,501		

* Wholly owned by Mitsubishi Bank (No. 4 among last year's largest International Banks).
** Wholly owned by Sanwa Bank (No. 5 among last year's largest International Banks).
† Wholly owned by six European banks, all of which were ranked last year on FORTUNE's list of the Largest International Banks.
†† Wholly owned by Fuji Bank (No. 3 among last year's largest International Banks).
††† Wholly owned by Industrial Bank of Japan (No. 6 among last year's largest International Banks).

BANKING

THE SERVICE 500

THE 50 LARGEST

RANK BY ASSETS 1988	1987	COMPANY	ASSETS[1] $ Millions	ASSETS % change from 1987	REVENUES[2] $ Millions	REVENUES Rank	REVENUES % change from 1987	PROFITS $ Millions	PROFITS Rank	PROFITS % change from 1987	STOCKHOLDERS' EQUITY $ Millions	STOCKHOLDERS' EQUITY Rank
1	1	**AMERICAN EXPRESS** New York	142,704.0	22.6	22,934.0	2	29.1	1,038.0	2	94.7	5,048.0	5
2	2	**FEDERAL NAT'L MORTGAGE ASS'N** Washington	112,258.0	8.5	10,635.0	8	5.5	507.0	6	34.8	2,260.0	13
3	3	**SALOMON** New York	85,256.0	14.1	6,146.0	14	2.4	280.0	16	97.2	2,759.0	11
4	4	**AETNA LIFE & CASUALTY** Hartford	81,414.6	11.9	24,296.4	1	9.9	712.6	5	(22.6)	6,522.2	3
5	5	**MERRILL LYNCH** New York	64,402.7	16.7	10,547.2	9	(3.0)	463.2	9	18.6	3,484.2	9
6	6	**CIGNA** Philadelphia	55,824.5	4.4	17,889.4	5	5.8	472.2	8	(35.2)	5,237.6	4
7	7	**TRAVELERS CORP.** Hartford	53,332.0	6.3	18,986.0	4	8.7	103.0	34	(72.5)	4,570.0	6
8	•	**ITT** New York[3]	41,941.0	214.1	19,355.0	3	126.3	817.0	4	(19.8)	8,035.0	1
9	9	**MORGAN STANLEY GROUP** New York	40,050.8	35.0	4,108.8	16	30.5	394.6	11	70.9	1,599.4	22
10	10	**AMERICAN INTERNATIONAL GROUP** New York	37,408.7	34.0	13,613.2	6	20.7	1,217.0	1	16.8	7,002.5	2
11	11	**BEAR STEARNS COS.** New York[4]	32,170.8	27.4	1,887.9	32	6.4	142.9	28	(17.5)	1,024.7	28
12	•	**AMERICAN GENERAL** Houston	30,422.0	8.6	6,572.0	13	(8.2)	442.0	10	(21.5)	4,294.0	7
13	14	**STUDENT LOAN MARKETING ASS'N** Washington	28,627.8	25.2	2,272.3	30	36.2	225.1	21	24.3	800.6	32
14	13	**TRANSAMERICA** San Francisco	26,759.2	14.8	7,879.0	10	9.8	346.4	14	(18.9)	2,829.4	10
15	15	**LOEWS** New York	25,829.5	16.3	10,865.3	7	16.5	908.5	3	30.5	4,028.0	8
16	17	**HOUSEHOLD INTERNATIONAL** Prospect Heights, Ill.	21,032.4	24.0	2,637.4	27	(23.3)	246.7	19	11.4	1,173.6	26
17	16	**LINCOLN NATIONAL** Fort Wayne	20,964.3	16.4	7,312.3	11	5.1	146.7	27	(38.1)	2,244.3	15
18	19	**PAINE WEBBER GROUP** New York	17,933.9	38.4	2,512.3	28	3.1	42.4	42	(41.2)	1,051.2	27
19	38	**PRIMERICA** New York[5]	14,435.4	235.2	1,003.7	43	10.0	161.8	26	582.7	1,946.7	19
20	33	**HOME GROUP** New York	13,302.0	106.6	2,978.0	23	19.3	87.0	36	(49.5)	994.0	29
21	20	**CONTINENTAL** New York	13,302.0	9.5	6,608.3	12	(1.8)	.9	47	(99.6)	2,228.6	16
22	22	**CAPITAL HOLDING** Louisville, Ky.	12,963.3	24.8	2,045.9	31	(38.9)	189.9	23	10.3	1,257.5	24
23	23	**USF&G** Baltimore	12,361.1	21.9	5,581.8	15	15.7	247.0	18	(33.7)	2,054.1	17
24	21	**KEMPER** Long Grove, Ill.	12,078.3	12.4	3,487.5	21	(4.9)	223.8	22	(11.0)	1,740.6	21
25	24	**FIREMAN'S FUND** Greenwich, Conn.	11,190.0	16.5	3,704.0	19	(5.7)	235.0	20	(35.1)	1,838.0	20
26	27	**ST. PAUL COS.** St. Paul	10,382.2	23.6	3,630.8	20	7.9	355.3	13	(0.4)	2,015.2	18
27	26	**CHUBB** Warren, N.J.	9,741.2	13.1	3,980.5	17	7.2	359.6	12	9.0	2,254.8	14
28	25	**GENERAL RE** Stamford, Conn.	9,394.0	(0.5)	2,735.8	25	(20.7)	480.0	7	(6.0)	2,694.8	12
29	40	**SOUTHMARK** Dallas[6]	9,161.3	178.1	2,838.0	24	226.9	(125.1)**	50	(246.9)	696.2	36
30	29	**RELIANCE GROUP HOLDINGS** New York	9,045.1	26.0	3,730.4	18	10.9	23.6	43	(81.3)	366.1	46
31	30	**AON** Chicago	8,266.0	16.7	2,732.4	26	10.7	179.5	25	15.0	1,253.3	25
32	34	**INTEGRATED RESOURCES** New York	7,875.8	26.0	1,716.4	34	54.5	49.2	39	(4.7)	538.8	40
33	32	**SAFECO** Seattle	7,732.1	16.9	3,017.7	22	16.4	268.6	17	6.2	1,570.4	23
34	31	**BENEFICIAL** Wilmington, Del.	7,544.0	8.9	1,418.0	37	14.2	105.0	33	(39.9)	850.0	30
35	35	**LOMAS & NETTLETON FINANCIAL** Dallas[6]	6,645.0	19.4	1,202.3	40	90.1	(56.4)**	49	(224.0)	518.4	41
36	•	**FIRST EMPIRE STATE** Buffalo	5,908.1	14.1	537.1	46	14.7	44.5	41	10.4	388.1	44
37	42	**GEICO** Washington	3,060.6	7.5	1,756.9	33	11.2	189.0	24	6.3	707.4	35
38	43	**OLD REPUBLIC INTERNATIONAL** Chicago	3,005.5	7.4	1,102.1	41	0.7	50.9	38	(50.5)	558.0	38
39	44	**OHIO CASUALTY** Hamilton, Calif.	2,922.0	8.9	1,576.1	36	9.1	128.0	30	63.0	718.5	34
40	48	**LANDMARK LAND** Carmel, Calif.	2,695.5	26.3	481.8	48	82.9	16.0**	44	–	48.6	50
41	47	**HANOVER INSURANCE** Worcester, Mass.	2,649.1	15.2	1,579.7	35	11.9	119.9	31	7.1	660.6	37
42	45	**ALEXANDER & ALEXANDER SERVICES** New York	2,635.2	1.0	1227.7	38	9.7	67.5	37	(1.3)	371.6	45
43	•	**CHARLES SCHWAB** San Francisco	2,533.1	25.4	392.2	49	(15.6)	7.4	45	(71.2)	158.9	47
44	•	**STATESMAN GROUP** Des Moines	2,404.2	86.8	677.5	45	27.1	1.6	46	2,188	58.1	49
45	41	**DCNY** Wilmington, Del.	2,386.4	(21.2)	177.8	50	(35.8)	(8.5)	48	(128.4)	120.0	48
46	•	**PROGRESSIVE** Mayfield Heights, Ohio	2,307.1	29.2	1,227.3	39	22.7	108.1	32	15.7	417.2	43
47	•	**CINCINNATI FINANCIAL** Fairfield, Ohio	2,117.4	18.1	909.6	44	3.0	128.7	29	38.2	815.6	31
48	50	**ARGONAUT GROUP** Los Angeles	1,885.4	2.1	504.2	47	18.5	101.8	35	(40.4)	444.8	42
49	•	**MARSH & MCLENNAN COS.** New York	1,830.0	12.0	2,272.4	29	5.8	296.3	15	(1.9)	755.1	33
50	•	**ALLEGHANY** New York	1,629.8	4.9	1,006.0	42	(6.8)	46.0	40	(24.7)	544.9	39
		TOTALS	1,133,720.1		258,289.3			12,587.3			95,548.8	

• Not on last year's list
** Reflects an extraordinary credit of at least 10%; see the explanations of "profits" and "earnings per share" on page 388
† Average for the year; see the reference to "employees" on page 388
‡ Reflects an extraordinary charge of at least 10%; see the explanations of "profits" and "earnings per share" on page 388
§ Dividends paid on mandatory redeemable preferred stock subtracted from profits.
Total assets shown as of December 31, 1988, unless otherwise noted. Only assets of consolidated subsidiaries are included. Holding companies engaged in commercial banking, savings, or life, health, and accident insurance are listed here only when as

DIVERSIFIED FINANCIAL COMPANIES

MARKET VALUE		NET PROFITS AS PERCENT OF						EARNINGS PER SHARE				TOTAL RETURN TO INVESTORS				EMPLOYEES		
		REVENUES		ASSETS		STOCKHOLDERS' EQUITY			% change from	1978-88 annual growth rate				1978-88 annual average				
$ Millions	Rank	%	Rank	%	Rank	%	Rank	1988 $	1987	%	Rank	1988 %	Rank	%	Rank	Number	Rank	
13,931.4	1	4.5	31	0.7	33	20.6	10	2.43	102.5	8.5	16	19.8	19	18.3	17	100,188	2	1
5,351.6	7	4.8	27	0.5	39	22.4	9	6.43	38.0	6.4	23	69.3	1	15.1	28	2,500	43	2
3,120.1	13	4.6	30	0.3	41	7.9§	40	1.65	91.9	4.2	24	26.4	13	18.6	16	8,400	28	3
6,032.4	6	2.9	37	0.9	29	10.9	31	6.24	(21.5)	0.1	28	10.9	32	12.7	36	45,000	4	4
2,911.3	14	4.4	34	0.7	34	13.3	24	4.29	19.8	15.7	8	11.6	31	15.7	26	42,000	5	5
4,322.9	10	2.6	40	0.8	30	8.5§	37	5.68	(34.3)	(1.4)	31	14.1	26	8.0	38	48,615	3	6
4,185.1	11	0.5	45	0.2	45	2.3	46	0.92	(74.2)	(14.1)	35	5.7	35	13.8	32	36,000	7	7
7,755.3	3	4.2	35	1.9	19	10.2	33	5.70	(15.7)	2.0	27	16.2	23	12.8	35	117,000	1	8
2,098.0	19	9.6	9	1.0	28	24.7	6	10.26	71.2	–		64.2	3	–		6,414	33	9
13,588.4	2	8.9	13	3.3	13	17.4	17	7.40	16.7	18.4	3	13.6	29	18.2	19	31,200	8	10
1,241.3	30	7.6	20	0.4	40	13.9	23	1.56	(22.8)	–		27.3	12	–		6,063	34	11
4,460.7	9	6.7	22	1.5	23	10.2§	32	3.44	(11.3)	3.5	25	(2.6)	41	17.5	21	18,300	11	12
3,467.6	12	9.9	7	0.8	31	28.1	3	5.34	29.0	–		20.9	15	–		1,541	47	13
2,663.7	16	4.4	33	1.3	25	12.2	27	4.42	(19.2)	3.4	26	19.8	18	14.3	30	17,400	13	14
6,934.8	4	8.4	16	3.5	10	22.6	8	11.94	33.9	20.0	2	20.1	17	32.8	4	24,150	9	15
1,880.2	25	9.4	10	1.2	26	20.1§	11	6.80	22.1	7.9	18	48.2	4	20.0	13	12,000†	21	16
2,095.8	20	2.0	41	0.7	35	6.5	41	3.21	(38.2)	0.0	29	13.9	27	15.8	25	15,425	17	17
490.5	39	1.7	43	0.2	44	4.0	44	0.58	(73.3)	(8.2)	34	15.7	24	17.1	22	13,000	19	18
2,016.0	23	16.1	3	1.1	27	8.3	39	3.61	652.1	–		(1.7)	40	–		18,000	12	19
435.3	41	2.9	38	0.7	36	8.8	36	2.56	(46.9)	–		(6.8)	42	–		9,400	26	20
1,832.2	26	0.0	47	0.0	47	(0.2)	47	(0.09)	(102.4)	–		(10.5)	43	10.9	37	16,200	15	21
1,621.9	28	9.3	11	1.5	22	15.1	21	4.00	19.4	11.6	12	24.9	14	16.4	23	7,900	29	22
2,629.0	17	4.4	32	2.0	18	12.0	28	3.85	(21.5)	(3.1)	32	9.2	33	14.4	29	11,800	22	23
1,989.1	24	6.4	24	1.9	20	12.9	25	3.81	(7.5)	6.6	22	20.6	16	18.1	20	9,753	24	24
1,544.3	29	6.3	25	2.1	17	12.8	26	4.51	(21.0)	–		15.5	25	–		12,242	20	25
2,353.0	18	9.8	8	3.4	12	17.6	16	7.38	(0.9)	6.6	21	(1.1)	39	15.4	27	13,335	18	26
2,798.8	15	9.0	12	3.7	9	15.9	19	8.55	7.5	9.9	14	7.6	34	20.4	11	9,800	23	27
6,228.6	5	17.5	2	5.1	5	17.8	15	5.04	0.0	15.7	7	1.6	37	20.0	12	2,363	44	28
39.6	49	(4.4)	48	(1.4)	50	(18.0)	50	(3.60)**	(430.3)	–		(64.9)	50	–		33,000	6	29
354.1	43	0.6	44	0.3	43	6.4	42	0.32	(81.0)	–		(15.6)	45	–		9,500	25	30
2,084.1	21	6.6	23	2.2	16	14.3	22	2.79	18.2	6.8	20	28.5	10	19.1	15	15,900	16	31
107.6	48	2.9	39	0.6	37	9.1	34	2.42	(11.4)	12.3	11	(15.9)	46	13.0	34	4,254	40	32
1,830.9	27	8.9	14	3.5	11	17.1	18	4.10	9.3	9.8	15	(11.4)	44	18.2	18	8,700	27	33
1,116.5	31	7.4	21	1.4	24	11.6§	29	4.19	(40.9)	0.0		30.2	8	14.0	31	6,500	31	34
333.4	44	(4.7)	49	(0.8)	49	(11.6)§	49	(1.65)**	(210.7)	–		(16.8)	47	21.1	10	4,540	38	35
404.8	42	8.3	17	0.8	32	11.5	30	6.02	25.9	17.2	5	28.2	11	30.8	5	2,613	42	36
2,049.6	22	10.8	6	6.2	2	26.7	4	11.92	11.7	10.4	13	13.7	28	35.8	2	6,729	32	37
440.0	40	4.6	28	1.7	21	9.1	35	2.29	(52.8)	(0.4)	30	29.9	9	13.4	33	4,500	39	38
900.7	34	8.1	18	4.4	8	17.8	14	5.88	69.0	7.2	19	3.9	36	15.9	24	5,822	36	39
150.7	46	3.3	36	0.6	38	33.0	2	1.98**		13.5	9	68.4	2	24.4	7	4,200	41	40
593.2	36	7.6	19	4.5	7	18.2	13	5.82	7.2	17.4	4	16.7	22	23.6	9	5,760	37	41
1,066.0	33	5.5	26	2.6	15	18.2	12	1.63	0.6	(4.2)	33	38.2	7	3.2	40	16,300	14	42
257.1	45	1.9	42	0.3	42	4.7	43	0.27	–	–		12.5	30	–		2,211	45	43
33.5	50	0.2	46	0.1	46	2.8	45	0.04	–	(22.3)	36	(26.4)	49	6.3	35	1,115	48	44
141.0	47	(4.8)	50	(0.4)	48	(7.1)	48	(1.06)	(128.3)	–		19.7	20	[illegible]1	1	414	50	45
859.6	35	6.8	15	4.7	6	25.9	5	3.86	19.5	30.3	1	(23.5)	48	[illegible]3.3	3	5,854	35	46
1,094.4	32	14.2	4	6.1	3	15.8	20	7.96	37.0	16.6	6	39.1	6	24.2	8	1,600	46	47
552.8	37	20.2	1	5.4	4	22.9	7	9.41	(35.5)	–		47.1	5	–		879	49	48
4,461.6	8	13.0	5	16.2	1	39.2	1	4.09	0.7	12.8	10	19.0	21	19.4	14	22,800	10	49
551.7	38	4.6	29	2.8	14	8.4	38	7.27	(23.9)	8.4	17	(0.1)	38	26.8	6	6,860	30	50
129,402.3																826,440		

sets of those businesses represent less than 80% of the company's total.
† Total revenues during the year, including any consolidated or nonfinancial revenues from manufacturing, retailing, etc. and revenues from discontinued operations when published. All companies on the list must have derived more than 50% of their revenues from financial businesses and have a publicly traded stock.
Company was No. 45 on last year's FORTUNE 500 Industrial list.
* Figures are for fiscal year ended April 30, 1988.
§ Formed by the merger of Commercial Credit (No. 38 on last year's Diversified Financial list) and Primerica (No. 18 last year), December 15, 1988. Figures for revenues and profits reflect only the operations of the former Commercial Credit.
** Figures are for fiscal year ended June 30, 1988.

THE 50 LARGEST SAVINGS

RANK BY ASSETS 1988	1987	COMPANY	ASSETS $ Millions	ASSETS % change from 1987	DEPOSITS $ Millions	DEPOSITS Rank	LOANS[2] $ Millions	LOANS[2] Rank	PROFITS $ Millions	PROFITS Rank	PROFITS % change from 1987
1	2	**H.F. AHMANSON** Los Angeles	40,258.0	32.0	29,505.5	1	34,260.4	1	202.0	2	0.9
2	3	**GREAT WESTERN FINANCIAL CORP.** Beverly Hills	32,815.2	14.6	22,207.1	2	29,143.6	2	248.4	1	98.2
3	4	**CALFED** Los Angeles	27,482.3	11.8	18,910.5	3	21,811.8	3	134.8	5	(19.2)
4	6	**GLENFED** Glendale, Calif.[3]	23,711.3	25.3	15,109.8	4	19,594.8	4	168.8	3	13.5
5	5	**MERITOR FINANCIAL GROUP** Philadelphia	17,172.0	(9.7)	12,209.3	5	14,442.7	5	(209.8)	49	–
6	10	**HOMEFED CORP.** San Diego[4]	17,008.7	20.6	12,208.3	6	14,382.7	6	111.3	6	8.0
7	12	**GOLDEN WEST FINANCIAL CORP.** Oakland	16,721.0	30.3	10,496.2	9	14,265.3	7	138.3	4	(5.8)
8	7	**GREAT AMER. FIRST SAVINGS BANK** San Diego	16,084.3	5.5	10,799.5	7	13,847.6	8	50.3	11	(42.9)
9	11	**CROSSLAND SAVINGS** Brooklyn	15,143.8	9.9	8,791.3	12	13,109.0	9	15.3	32	(84.8)
10	9	**GIBRALTAR FINANCIAL CORP.** Beverly Hills	15,011.1	0.2	8,939.3	10	12,025.9	10	(100.5)	46	–
11	8	**GOLDOME** Buffalo	14,962.5	(1.3)	10,529.3	8	10,084.2	13	(119.1)	47	(813.7)
12	•	**FRANKLIN SAVINGS ASSOCIATION** Ottawa, Kans.	13,419.4	43.2	3,326.8	37	7,707.4	18	80.7	7	13.5
13	15	**COLUMBIA SAVINGS & LOAN ASS'N** Beverly Hills	12,743.8	13.5	8,022.6	16	6,066.0	23	65.0	9	(45.6)
14	13	**COAST SAVINGS & LOAN ASS'N** Los Angeles	12,647.1	5.8	8,801.0	11	10,790.7	11	47.8	13	(16.3)
15	17	**IMPERIAL CORP. OF AMERICA** San Diego	12,263.1	12.8	8,281.5	15	8,893.9	16	14.9**	34	(71.1)
16	16	**DIME SAVINGS BANK OF NEW YORK** Garden City	12,097.2	9.7	8,723.3	13	10,197.9	12	80.1**	8	(29.5)
17	14	**FIRST FEDERAL OF MICHIGAN** Detroit	11,941.5	0.5	4,911.7	22	9,206.5	14	36.6	16	9.3
18	18	**EMPIRE OF AMERICA FEDERAL SAVINGS** Buffalo	11,281.4	3.9	8,325.7	14	9,001.8	15	(57.3)	44	(549.4)
19	19	**CITYFED FINANCIAL CORP.** Palm Beach, Fla.	10,584.5	(2.1)	7,188.7	17	7,761.6	17	(23.6)	43	(279.2)
20	20	**CENTRUST SAVINGS BANK** Miami[5]	9,764.1	25.6	6,221.8	19	6,951.5	20	50.1**	12	(18.6)
21	•	**STANDARD FEDERAL BANK** Troy, Mich.	9,573.1	12.4	5,271.3	20	7,237.4	19	63.3	10	(6.1)
22	21	**ANCHOR SAVINGS BANK** Hewlett, N.Y.[3]	7,946.5	7.3	6,595.9	18	6,509.3	21	6.7**	37	(92.1)
23	23	**ATLANTIC FINANCIAL FEDERAL** Bala Cynwyd, Pa.[3]	7,798.8	11.1	4,708.1	23	6,228.7	22	18.4**	29	(23.8)
24	24	**NORTHEAST SAVINGS** Hartford[6]	7,558.3	20.6	4,659.3	24	5,470.5	24	21.1**	25	(36.6)
25	28	**COMMERCIAL FEDERAL CORP.** Omaha[3]	6,655.5	15.5	3,206.8	40	5,349.3	26	1.2	40	(93.3)
26	38	**PACIFIC FIRST FINANCIAL CORP.** Tacoma	6,621.7	46.9	3,585.0	31	5,342.8	27	18.3**	30	(25.1)
27	29	**AMERICAN CAPITAL CORP.** Miami	6,402.6	11.3	3,631.3	30	5,468.5	25	3.8	38	2,049.7
28	30	**WASHINGTON MUTUAL SAVINGS BANK** Seattle	6,363.8	11.5	3,770.7	29	5,272.3	28	38.6	14	(3.6)
29	•	**TALMAN HOME FED. S&L ASS'N OF ILL.** Chicago	6,336.7	4.8	4,653.3	25	5,030.3	30	25.6	22	21.8
30	•	**PEOPLE'S BANK** Bridgeport, Conn.	6,321.4	11.0	5,056.9	21	5,212.5	29	36.6	15	(26.3)
31	36	**PERPETUAL FINANCIAL CORP.** Alexandria, Va.[7,8]	5,852.9	28.1	3,985.2	28	4,469.6	32	31.2	20	62.6
32	31	**HOMESTEAD FINANCIAL CORP.** Millbrae, Calif.	5,751.1	4.3	3,169.1	41	3,722.8	42	(15.6)	42	(163.3)
33	25	**WESTERN SAVINGS & LOAN ASS'N** Phoenix	5,599.9	(7.5)	4,229.3	27	3,175.7	46	(201.7)	48	(703.9)
34	•	**BENJ. FRANKLIN FED. S&L ASS'N** Portland, Oreg.	5,469.4	11.6	3,273.7	39	4,185.1	36	15.1**	33	(15.0)
35	•	**AMERICAN S&L ASS'N. OF FLA.** Miami	5,310.8	83.3	3,166.3	42	3,430.8	45	N.A.		–
36	27	**TCF FINANCIAL CORP.** Minneapolis	5,258.7	(10.2)	3,445.8	34	4,427.3	33	21.5**	24	–
37	35	**HOWARD SAVINGS BANK** Newark, N.J.	5,220.5	7.0	4,509.6	26	3,614.4	44	35.1	18	0.7
38	32	**FLORIDA FEDERAL S&L ASS'N** St. Petersburg[3]	5,156.9	(4.7)	3,395.0	35	4,543.0	31	(68.9)	45	–
39	33	**FINANCIAL CORP. OF SANTA BARBARA**	5,012.8	(6.3)	2,191.7	50	4,390.2	34	(7.1)‡	41	(356.8)
40	43	**FARWEST FINANCIAL CORP.** Los Angeles[3]	4,760.1	28.0	3,320.0	38	3,142.4	47	8.6	36	90.2
41	40	**SEAMEN'S CORP.** Dallas	4,708.3	14.2	2,557.5	49	4,286.8	35	16.5	31	(9.9)
42	42	**CITADEL HOLDING CORP.** Glendale, Calif.	4,641.9	21.2	3,090.2	44	4,125.5	37	24.1	23	(9.1)
43	37	**AMERIFIRST BANK** Miami[3]	4,617.8	1.8	3,326.8	36	3,772.9	40	1.3	39	(88.3)
44	•	**CITIZENS SAVINGS FINANCIAL CORP.** Miami	4,576.3	52.6	2,955.9	45	3,680.1	43	13.3	35	16.9
45	41	**AMERICAN SAVINGS BANK** White Plains, N.Y.	4,536.4	11.9	3,464.4	33	3,766.0	41	33.3	19	(27.3)
46	•	**SFFED CORP.** San Francisco[3]	4,499.1	54.5	2,773.2	47	3,993.5	38	19.3**	27	(3.9)
47	39	**OLD STONE CORP.** Providence	4,448.3	0.5	3,150.0	43	3,825.0	39	36.3	17	155.8
48	49	**DOWNEY S&L ASS'N** Newport Beach, Calif.	4,332.9	36.4	3,500.5	32	3,036.2	49	29.0	21	(12.8)
49	48	**ROCHESTER COMMUNITY SAV.** Rochester, N.Y.	4,238.3	29.5	2,797.3	46	3,064.9	48	18.4	28	(31.7)
50	•	**HOME OWNERS FED. S&L ASS'N** Boston[3]	4,217.9	43.8	2,756.7	48	2,348.9	50	20.5**	26	(35.3)
		TOTALS	512,811.0		333,706.0		405,668.2		1,197.5		

• Not on last year's list.
** Reflects an extraordinary credit of at least 10%; see the explanations of "profits" and "earnings per share" on page 388.
† Average for year; see reference to "employees" on page 388.
‡ Reflects an extraordinary charge of at least 10%; see the explanations of "profits" and "earnings per share" on page 388.
N.A. Not available.
As of December 31, 1988. All companies on the list must have derived more than 50% of their consolidated revenues from chartered thrift institutions and have a publicly traded stock. Net of unearned discount and loan loss reserve. Figure includes lease financing.

SAVINGS INSTITUTIONS

STOCKHOLDERS' EQUITY		MARKET VALUE		PROFITS AS PERCENT OF ASSETS		PROFITS AS PERCENT OF STOCKHOLDERS' EQUITY		EARNINGS PER SHARE				TOTAL RETURN TO INVESTORS				EMPLOYEES		
$ Millions	Rank	$ Millions	Rank	%	Rank	%	Rank	1988 $	% change from 1987	1978-88 annual growth rate %	Rank	1988 %	Rank	1978-88 annual average %	Rank	Number	Rank	
1,886.2	2	1,863.5	2	0.5	18	10.7	18	2.04	0.5	1.8	5	4.9	19	15.9	4	11,568	2	1
1,983.2	1	2,289.9	1	0.8	3	12.5	12	1.95	16.8	2.0	4	3.6	20	12.1	5	12,609	1	2
1,383.1	3	564.6	5	0.5	19	9.7	21	5.39	(19.2)	–		7.1	17	–		6,179	4	3
1,127.6	4	561.0	6	0.7	5	15.0	7	5.77	(15.3)	–		(6.1)	27	–		7,500	3	4
359.3	19	144.6	20	(1.2)	47	(58.4)	46	(5.98)	–	–		(2.6)	23	–		4,218	7	5
954.6	5	815.2	4	0.7	10	11.7	13	5.22	8.3	–		20.9	11	–		4,780	6	6
896.4	6	1,311.4	3	0.8	1	15.4	6	4.41	(6.0)	12.7	2	26.6	9	21.3	2	3,161	13	7
652.0	10	308.0	7	0.3	27	7.7	30	2.08	(43.5)	–		(5.9)	26	–		3,727	10	8
873.9	7	189.5	14	0.1	36	1.7	37	(1.81)	(134.3)	–		50.3	3	–		3,396	11	9
73.1	48	10.3	46	(0.7)	45	(137.5)	48	(4.88)	–	–		(64.3)	44	(17.8)	12	2,519	17	10
338.4	22	77.2	29	(0.8)	46	(35.2)	44	(4.34)	–	–		(32.0)	38	–		4,931	5	11
407.6	15	N.A.		0.6	12	19.8	2	2.39	3.5	–		–		–		961	43	12
676.1	9	158.5	18	0.5	17	9.6	23	1.55	(49.0)	–		18.3	12	–		926	45	13
485.5	12	216.3	13	0.4	25	9.8	20	3.63	(16.4)	–		(5.4)	25	–		2,285	20	14
276.6	28	77.3	28	0.1	35	5.4	35	1.03**	(70.2)	(14.2)	8	28.7	8	0.1	9	2,077	27	15
729.4	8	293.8	8	0.7	8	11.0	16	3.52**	(30.0)	–		(13.0)	33	–		2,950	14	16
420.9	14	154.1	19	0.3	28	8.7	25	3.31	10.0	–		73.5	1	–		1,827	30	17
155.7	39	22.5	41	(0.5)	44	(36.8)	45	(4.24)	(1,021.7)	–		(45.6)	41	–		3,795	9	18
326.2	23	55.9	32	(0.2)	42	(7.2)	41	(1.68)	(800.0)	–		(8.8)	28	–		4,074	8	19
377.7	17	34.6	40	0.5	16	13.3	10	3.32**	(29.4)	–		(9.3)	29	–		2,844	15	20
406.2	16	274.3	10	0.7	9	15.6	5	2.07	(8.8)	–		56.3	2	–		2,100	26	21
498.0	11	74.3	30	0.1	37	1.3	38	(0.42)**	–	–		–		–		3,288	12	22
222.9	30	10.3	47	0.2	33	8.2	27	3.05**	(37.6)	–		(39.1)	40	–		2,346	19	23
307.8	26	40.4	37	0.3	30	6.9	32	2.28**	(59.1)	–		(48.3)	42	–		1,438	37	24
129.2	44	46.3	33	0.0	40	0.9	39	0.19	(92.9)	–		(9.9)	30	–		1,412	38	25
240.6	29	187.4	15	0.3	32	7.6	31	2.41**	(25.8)	–		38.8	4	–		1,644	35	26
113.0	45	44.6	34	0.1	38	3.4	36	(0.13)	–	–		15.0	14	(0.4)	10	2,200†	22	27
350.2	20	241.5	12	0.6	11	11.0	14	2.56	(4.1)	–		1.8	21	–		1,992	28	28
313.4	25	87.6	26	0.4	24	8.2	28	2.64	20.5	–		18.2	13	–		1,886	29	29
453.7	13	N.A.		0.6	13	8.1	29	0.45	–	–		–		–		2,679	16	30
298.1	27	103.6	25	0.5	14	10.5	19	2.00	81.8	–		(11.0)	32	–		1,648	34	31
130.6	43	42.3	36	(0.3)	43	(11.9)	42	(1.34)	(168.4)	–		(20.5)	36	–		739	49	32
(85.1)	50	11.1	45	(3.6)	49	–		(19.05)	(1,001.0)	–		(72.7)	45	2.9	8	2,164	24	33
180.9	36	38.5	38	0.3	31	8.3	26	1.96**	(15.2)	–		(2.8)	24	–		1,599	36	34
344.3	21	N.A.		–		–		N.A.	–	–		–		–		1,278	40	35
159.2	38	86.7	27	0.4	23	13.5	9	2.99**	–	–		31.7	7	–		2,200	23	36
362.7	18	286.3	9	0.7	6	9.7	22	2.43	0.8	–		(10.5)	31	–		2,431	18	37
112.1	46	20.0	42	(1.3)	48	(61.5)	47	(7.33)	–	–		(52.8)	43	–		1,744	32	38
34.6	49	12.1	44	(0.1)	41	(20.5)	43	(1.18)‡	(402.6)	–		(28.1)	37	(10.6)	11	818	47	39
143.5	42	66.4	31	0.2	34	6.0	33	1.09	101.9	(2.1)	7	(16.8)	34	8.2	7	771	48	40
103.3	47	18.3	43	0.4	26	16.0	4	1.02	(7.3)	–		7.5	16	–		442	50	41
186.8	33	120.9	22	0.5	15	12.9	11	7.32	(5.2)	–		6.2	18	–		870	46	42
196.2	32	126.8	21	0.0	39	0.6	40	0.12	–	–		25.6	10	–		2,103	25	43
149.5	40	36.6	39	0.3	29	8.9	24	3.74	(0.3)	14.8	1	13.3	15	21.6	1	1,140	41	44
183.8	35	106.4	23	0.7	4	18.1	3	4.67	(30.8)	–		(1.9)	22	–		1,294	39	45
175.6	37	106.1	24	0.4	22	11.0	17	2.48**	(30.3)	–		(17.1)	35	–		958	44	46
144.4	41	185.3	16	0.8	2	25.2	1	3.99	380.7	0.6	6	37.7	5	11.8	6	2,256	21	47
210.0	40	182.8	17	0.7	7	13.8	8	2.70	(12.9)	9.1	3	37.1	6	16.2	3	1,119	42	48
321.1	24	243.2	11	0.4	21	5.7	34	1.34	(31.3)	–		–		–		1,652	33	49
186.2	34	43.2	35	0.5	20	11.0	15	1.80**	(52.8)	–		(34.3)	39	–		1,750	31	50
20,956.1		11,991.5														136,288		

† Figures are for fiscal year ended June 30, 1988.
‡ Name changed from Home Federal Savings & Loan Association December 30, 1988.
* Figures are for fiscal year ended September 30, 1988.
** Figures are for fiscal year ended March 31, 1988.
†† Figures are for fiscal year ended October 31, 1988.
* Name changed from Perpetual Savings Bank October 6, 1988.
* Name changed from Far West Financial Corp. August 29, 1988.
* Name changed from San Francisco Federal Savings & Loan Association July 1, 1988.
Figures are for fiscal year ended November 30, 1988.

THE SERVICE 500

THE 50 LARGEST

RANK BY ASSETS 1988	1987	COMPANY	ASSETS[1] $ Millions	% change from 1987	PREMIUM AND ANNUITY INCOME[2] $ Millions	Rank	NET INVESTMENT INCOME $ Millions	Rank
1	1	**PRUDENTIAL OF AMERICA** Newark, N.J.*	116,197.0	6.8	14,396.7	2	7,436.9	1
2	2	**METROPOLITAN LIFE** New York*	94,232.0	6.9	15,487.1	1	7,261.0	2
3	3	**EQUITABLE LIFE ASSURANCE** New York[3]*	50,415.5	2.3	4,917.3	6	3,130.0	5
4	4	**AETNA LIFE** Hartford[4]	48,884.9	7.0	8,266.1	3	3,345.0	4
5	5	**TEACHERS INSURANCE & ANNUITY** New York,	38,631.4	16.3	3,064.9	12	3,641.3	3
6	6	**NEW YORK LIFE** New York*	35,153.8	10.4	6,929.3	4	2,758.2	6
7	9	**CONNECTICUT GENERAL LIFE** Bloomfield*	31,095.5	16.1	2,732.3	15	2,011.4	9
8	7	**TRAVELERS** Hartford[10]	30,672.2	7.3	4,200.9	9	2,185.1	8
9	8	**JOHN HANCOCK MUTUAL LIFE** Boston*	28,315.2	3.5	4,865.9	7	2,216.7	7
10	10	**NORTHWESTERN MUTUAL LIFE** Milwaukee*	25,349.0	12.1	3,542.1	10	1,829.4	10
11	11	**MASSACHUSETTS MUTUAL LIFE** Springfield*	22,404.1	12.7	2,825.5	13	1,648.1	12
12	12	**PRINCIPAL MUTUAL LIFE** Des Moines*	21,999.8	15.6	5,078.1	5	1,666.9	11
13	14	**NEW ENGLAND MUTUAL LIFE** Boston*	15,890.5	11.9	2,284.0	17	1,030.6	14
14	13	**MUTUAL OF NEW YORK** New York*	15,757.1	6.8	3,183.4	11	1,016.3	15
15	15	**EXECUTIVE LIFE** Los Angeles	12,803.7	12.3	619.7	47	1,303.8	13
16	17	**CONNECTICUT MUTUAL LIFE** Hartford*	10,825.0	9.0	2,195.4	19	760.5	19
17	18	**IDS LIFE** Minneapolis[11]	10,771.5	20.2	1,779.6	22	771.3	18
18	16	**MUTUAL BENEFIT LIFE** Newark, N.J.*	10,638.9	5.4	2,225.3	18	910.8	16
19	19	**STATE FARM LIFE** Bloomington, Ill.	9,590.2	13.4	1,437.6	30	827.5	17
20	20	**VARIABLE ANNUITY LIFE** Houston[12]	9,151.3	17.8	1,129.5	40	740.4	20
21	28	**ALLSTATE LIFE** Northbrook, Ill.[13]	8,818.1	47.7	4,298.0	8	(676.6)	50
22	21	**NATIONWIDE LIFE** Columbus, Ohio	8,700.9	19.2	1,566.1	26	515.4	26
23	22	**NEW YORK LIFE & ANNUITY** Wilmington, Del.	8,496.7	19.3	1,298.7	36	706.3	21
24	24	**AETNA LIFE & ANNUITY** Hartford[4]	7,943.8	20.1	1,383.6	31	449.4	28
25	23	**PACIFIC MUTUAL LIFE** Newport Beach, Calif.*	7,841.2	12.3	1,199.2	39	607.9	22
26	25	**EQUITABLE VARIABLE LIFE** New York	7,832.3	18.6	1,215.6	37	570.5	24
27	26	**LINCOLN NATIONAL PENSION** Fort Wayne[14]	7,677.8	21.4	1,655.6	23	402.7	32
28	27	**CONTINENTAL ASSURANCE** Chicago[15]	7,288.2	18.7	2,762.3	14	213.0	48
29	30	**TRANSAMERICA LIFE & ANNUITY** Los Angeles[16]	6,367.1	15.1	1,379.7	32	578.3	23
30	•	**HARTFORD LIFE** Hartford[17]	6,222.2	78.0	1,635.6	25	356.4	36
31	31	**PROVIDENT NAT'L ASSURANCE** Chattanooga	6,075.2	15.9	1,555.2	27	566.2	25
32	29	**SOUTHWESTERN LIFE** Dallas	5,963.8	2.8	133.8	50	284.2	45
33	34	**LINCOLN NATIONAL LIFE** Fort Wayne[14]	5,687.4	15.3	1,638.5	24	382.1	33
34	32	**PHOENIX MUTUAL LIFE** Hartford*	5,678.5	9.2	912.9	42	366.1	34
35	•	**JACKSON NATIONAL LIFE** Lansing, Mich.	5,623.5	54.4	1,961.8	21	482.5	27
36	33	**TRANSAMERICA OCCIDENTAL LIFE** Los Angeles[16]	5,564.4	11.0	1,300.7	35	404.8	31
37	46	**KEYSTONE PROVIDENT LIFE** Providence	5,165.2	34.7	1,509.8	28	432.2	29
38	35	**NORTHWESTERN NATIONAL LIFE** Minneapolis	5,073.2	7.6	1,376.6	33	198.5	49
39	41	**PENN MUTUAL LIFE** Philadelphia*	4,984.4	21.6	780.5	45	338.7	43
40	37	**GENERAL AMERICAN LIFE** St. Louis*	4,947.4	13.2	1,215.3	38	360.8	35
41	•	**AMERICAN FAMILY LIFE** Columbus, Ga.	4,906.9	20.6	1,963.7	20	263.1	47
42	36	**STATE MUTUAL OF AMERICA** Worcester, Mass.*	4,869.5	11.3	1,360.8	34	405.0	30
43	44	**KEMPER INVESTORS LIFE** Chicago[18]	4,645.8	18.1	865.2	43	353.5	40
44	38	**GUARDIAN OF AMERICA** New York*	4,618.4	10.8	2,348.7	16	354.6	37
45	42	**MINNESOTA MUTUAL LIFE** St. Paul*	4,465.7	11.5	1,027.3	41	343.8	42
46	40	**UNUM LIFE** Portland, Me.	4,385.7	5.8	627.7	46	353.7	39
47	39	**MUTUAL OF AMERICA LIFE** New York*	4,321.5	3.7	192.0	49	351.1	41
48	43	**FRANKLIN LIFE** Springfield, Ill.[19]	4,229.6	6.8	489.6	48	354.1	38
49	49	**HOME LIFE** New York*	4,034.5	13.9	1,443.8	29	301.1	44
50	•	**SUN LIFE OF AMERICA** Atlanta	3,992.9	78.9	837.8	44	275.5	46
		TOTALS	815,200.4		133,096.7		58,753.5	

DATA FOR ALL COMPANIES ARE CALCULATED ON THE STATUTORY ACCOUNTING BASIS REQUIRED BY STATE INSURANCE REGULATORY AUTHORITIES.

• Not on last year's list.
* Indicates a mutual company.
N.A. Not available.
[1] As of December 31, 1988.
[2] Includes premium income from accident and health policies, annuities, and contributions to deposit administration funds.
[3] After dividends to policyholders and federal income taxes, excluding realized capital gains and losses. Figures in parentheses indicate a loss.
[4] After dividends to policyholders and federal income taxes, including realized capital gains and losses. Figures in parentheses indicate a loss.
[5] Face value of all life policies, including variable life insurance, as of December 31, 1988.

LIFE INSURANCE COMPANIES

NET GAIN FROM OPERATIONS[2] $ Millions	Mutual Rank	Stock Rank	NET INCOME[4] $ Millions	Mutual Rank	Stock Rank	NET INCOME AS PERCENT OF ASSETS %	Rank	LIFE INSURANCE IN FORCE[5] $ Millions	Rank	INCREASE IN LIFE INSURANCE IN FORCE[6] $ Millions	Rank	%	Rank	EMPLOYEES[7] Number	Rank	
560.1	1		876.5	1		0.8	21	691,498.2	1	46,601.5	2	7.2	24	68,468	1	1
498.6	2		836.2	2		0.9	16	641,338.5	2	71,892.4	1	12.6	14	39,500	2	2
74.6	7		245.9	4		0.5	30	318,743.6	3	5,526.1	20	1.8	33	26,000	5	3
277.6		2	298.2		3	0.6	26	250,591.3	4	29,582.8	4	13.4	12	16,686	9	4
233.9		3	417.5		1	1.1	8	21,538.4	38	2,320.6	29	12.1	15	3,420	31	5
140.6	4		255.8	3		0.7	22	236,947.1	5	27,299.6	5	13.0	13	20,831	7	6
289.0		1	330.2		2	1.1	9	136,304.7	11	4,768.3	25	3.6	31	12,553	14	7
61.0		12	276.0		4	0.9	13	178,581.6	9	17,330.8	8	10.8	17	36,000	3	8
179.1	3		184.9	5		0.7	24	184,681.3	7	7,262.0	17	4.1	29	16,321	10	9
48.4	9		118.3	7		0.5	33	178,781.7	8	21,187.5	7	13.4	11	8,648	17	10
50.8	8		45.6	13		0.2	41	95,421.8	13	9,224.2	16	10.6	18	14,966	12	11
85.9	5		102.9	8		0.5	32	88,942.1	15	9,406.5	15	11.8	16	10,272	15	12
(47.3)	22		15.1	17		0.1	44	71,934.3	21	6,012.1	19	9.6	20	6,258	21	13
82.4	6		151.1	6		1.0	10	74,725.8	20	10,660.9	14	15.7	8	7,538	18	14
191.3		4	249.3		5	1.9	3	56,538.2	27	3,167.3	27	5.9	26	800	43	15
3.4	19		48.6	11		0.4	34	56,964.8	26	5,319.2	22	10.3	19	26,209	4	16
74.1		10	92.7		8	0.9	17	24,807.4	35	3,421.0	26	18.2	6	6,686	20	17
29.1	11		84.6	9		0.8	20	71,842.5	22	11,374.8	12	19.6	5	3,946	25	18
125.8		5	137.9		6	1.4	4	137,084.4	10	17,116.1	9	14.3	10	19,147	8	19
21.3		22	(3.1)		26	0.0	47	2.4	49	(0.5)	41	–		1,459	39	20
(74.5)		27	(68.5)		27	(0.8)	49	92,831.3	14	5,403.8	21	6.2	25	3,600	29	21
7.4		26	15.1		24	0.2	43	21,764.1	37	1,671.6	30	8.1	23	7,367	19	22
49.6		14	69.6		12	0.8	19	42,999.2	28	(974.6)	47	–		20,831	6	23
(100.2)		28	(95.2)		28	(1.2)	50	30,185.6	31	4,952.5	23	19.6	4	3,431	30	24
21.3	14		32.0	14		0.4	36	25,625.9	34	(7,164.5)	49	–		3,350	32	25
64.7		11	70.3		11	0.9	14	84,168.3	16	11,099.0	13	15.2	9	N.A.		26
33.1		17	31.2		19	0.4	37	128.7	48	(1.3)	42	–		348	45	27
80.0		8	66.9		14	0.9	12	77,670.9	19	2,587.0	28	4.1	30	14,600	13	28
7.5		25	4.3		25	0.1	45	279.0	46	46.4	39	–		1,061	40	29
21.8		21	27.6		21	0.4	35	21,258.9	39	605.7	37	3.1	32	333	46	30
27.0		20	21.6		23	0.4	38	0.0		0.0		–		46	48	31
77.1		9	77.9		10	1.3	5	39,799.6	29	(2,476.1)	48	–		3,100	33	32
51.9		13	33.5		17	0.6	28	141.9	47	(1.6)	43	–		3,093	34	33
22.9	12		27.2	16		0.5	31	70,386.6	23	895.2	35	1.3	34	3,019	35	34
49.1		15	67.1		13	1.2	6	64,148.7	25	16,605.8	10	–		934	42	35
39.7		16	46.6		15	0.8	18	218,924.6	6	31,926.5	3	–	1	3,977	24	36
28.1		19	46.1		16	0.9	15	2,654.2	43	19.8	40	0.7	35	232	47	37
32.3		18	30.6		20	0.6	27	68,025.7	24	4,929.9	24	8.1	22	9,170	16	38
4.1	18		8.8	20		0.2	42	22,675.0	36	(413.5)	44	–		2,115	37	39
2.5	20		14.1	18		0.3	39	126,716.3	12	22,344.5	6	21.4	3	2,427	36	40
101.9		6	107.7		7	2.2	1	6,354.2	40	1,106.9	34	–		14,994	11	41
30.8	10		45.6	12		0.9	11	31,976.0	30	607.7	36	–		4,256	23	42
14.5		23	32.0		18	0.7	23	1,826.5	44	439.9	38	35.9	2	379	44	43
11.6	15		55.0	10		1.2	7	84,058.3	17	12,172.4	11	16.9	7	4,704	22	44
1.6	21		1.9	21		0.0	46	79,657.1	18	6,864.6	18	9.4	21	3,823	26	45
21.4	13		27.6	15		0.6	25	2,956.6	42	(537.6)	45	–		3,647	28	46
7.2	16		(8.5)	22		(0.2)	48	1,414.8	45	(934.4)	46	–		1,001	41	47
83.8		7	84.4		9	2.0	2	26,859.9	32	1,169.9	33	4.6	28	3,807	27	48
5.9	17		9.8	19		0.2	40	25,833.3	33	1,309.0	32	5.3	27	2,072	38	49
10.5		24	21.6		22	0.5	29	4,530.8	41	1,589.9	31	–		N.A.		50
3,714.5			5668.1					4,793,121.9		425,317.4				467,425		

[1] Change between December 31, 1987, and December 31, 1988.
[2] Includes home office, field force, and full time agents.
[3] Wholly owned by Aetna Life & Casualty (F. 4).
[4] Wholly owned by Cigna (F. 6).
[5] Wholly owned by Travelers Corp. (F. 7).
[6] Wholly owned by American Express (F. 1).
[7] Wholly owned by American General (F. 12).
[8] Wholly owned by Sears Roebuck (F. 1).
[9] Wholly owned by Lincoln National (F. 17).
[10] Wholly owned by CNA Financial Corp., which is 82% owned by Loews (F. 15).
[11] Wholly owned by Transamerica (F. 14).
[12] Wholly owned by [illegible] (F. 16).
[13] Wholly owned by Kemper (F. 24).
[14] Wholly owned by American Brands (No. 58 on the FORTUNE 500 industrial list).

THE SERVICE 500

THE 50 LARGEST

RETAILING

RANK BY SALES 1988	1987	COMPANY	SALES $ Millions	SALES % change from 1987	PROFITS $ Millions	PROFITS Rank	PROFITS % change from 1987	ASSETS $ Millions	ASSETS Rank	STOCKHOLDERS' EQUITY $ Millions	STOCKHOLDERS' EQUITY Rank
1	1	SEARS ROEBUCK Chicago[1]	50,251.0	3.7	1,453.7	1	(11.9)	77,951.6	1	14,054.9	1
2	2	K MART Troy, Mich.	27,301.0	6.5	803.0	4	16.0	12,126.0	3	5,009.0	2
3	5	WAL-MART STORES Bentonville, Ark.	20,649.0	29.4	837.2	2	33.4	6,359.7	9	3,007.9	6
4	4	KROGER Cincinnati[1]	19,053.0	7.9	34.5	40	(86.0)	4,614.0	13	2,678.5	7
5	7	AMERICAN STORES Irvine, Calif.[1]	18,478.4	29.5	98.3	26	(36.3)	7,010.4	7	922.1	16
6	6	J.C. PENNEY Dallas	14,833.0	(3.3)	807.0	3	32.7	12,254.0	2	3,957.0	3
7	3	SAFEWAY STORES Oakland	13,612.4	(25.6)	31.2	41	–	4,371.7	14	(368.4)	49
8	9	DAYTON HUDSON Minneapolis	12,204.0	14.3	287.0	10	25.7	6,523.0	8	1,861.0	9
9	10	MAY DEPARTMENT STORES St. Louis	11,921.0	15.6	534.0	6	20.3	8,144.0	5	3,050.0	5
10	13	GREAT ATLANTIC & PACIFIC TEA Montvale, N.J.[1]	9,531.8	21.7	103.4	24	8.9	2,243.2	21	851.3	17
11	11	WINN-DIXIE STORES Jacksonville, Fla.[1]	9,007.7	2.3	116.7	21	3.9	1,514.0	35	726.3	21
12	14	F.W. WOOLWORTH New York	8,088.0	13.4	288.0	9	14.7	3,535.0	16	1,844.0	10
13	12	SOUTHLAND Dallas[1]	7,950.3	(1.6)	(216.2)	50	–	4,861.5	12	(387.6)	50
14	16	MARRIOTT Bethesda, Md.[1]	7,370.0	13.0	232.0	13	4.0	5,981.0	10	710.0	23
15	18	MELVILLE Harrison, N.Y.[1]	6,780.4	14.3	354.5	7	24.2	2,736.2	18	1,706.3	11
16	19	ALBERTSON'S Boise, Idaho	6,773.1	15.4	162.5	14	29.6	1,591.0	33	800.5	18
17	20	R.H. MACY New York[1]	5,729.1	10.0	(188.2)‡	49	–	5,514.6	11	(247.4)	48
18	21	MCDONALD'S Oak Brook, Ill.	5,566.3	13.7	645.9	5	8.3	8,158.7	4	3,412.8	4
19	23	MONTGOMERY WARD HOLDING Chicago[1]	5,371.0[10]	15.8	139.0[10]	18	6.9	3,825.0	15	149.0	42
20	25	WALGREEN Deerfield, Ill.[1]	4,883.5	14.1	129.1	19	24.7	1,511.9	36	712.6	22
21	26	PUBLIX SUPER MARKETS Lakeland, Fla.[1]	4,803.7	15.7	102.4	25	17.4	1,173.2	40	756.8	19
22	24	SSC HOLDINGS Boston*	4,669.6	7.5	(21.5)	46	(138.6)	1,993.1	26	116.2	43
23	8	FEDERATED DEPARTMENT STORES Cincinnati	4,541.7[10]	(59.1)	158.9[10]	15	(49.2)	7,912.8	6	1,912.8	8
24	30	PRICE San Diego*	4,140.5	27.9	94.8	27	29.2	993.4	44	479.5	31
25	28	THE LIMITED Columbus, Ohio	4,070.8	15.4	245.1	12	4.2	2,145.5	22	946.2	15
26	31	TOYS "R" US Paramus, N.J.	4,000.2	27.5	268.0	11	31.4	2,555.0	19	1,423.7	13
27	•	VONS COS. El Monte, Calif.	3,916.6	831.2	(23.9)	47	–	1,673.4	31	214.0	40
28	32	FOOD LION Salisbury, N.C.	3,815.4	29.2	112.5	23	31.2	1088.2	42	430.8	32
29	29	TANDY Fort Worth	3,793.8	9.9	316.4	8	30.5	2,530.1	20	1,603.1	12
30	•	TW SERVICES Paramus, N.J.[1]	3,573.7	43.4	53.7	35	14.0	2,106.1	24	501.1	30
31	44	AMES DEPARTMENT STORES Rocky Hill, Conn.	3,362.9	59.2	47.2	37	38.3	2,129.6	23	601.2	26
32	35	SERVICE MERCHANDISE Nashville[1]	3,092.8	13.7	76.5	30	147.9	1,710.7	30	380.7	34
33	27	ALLIED STORES Cincinnati	2,977.9	(24.7)	51.4	36	–	3,501.6	17	156.3	41
34	37	GIANT FOOD Landover, Md.*	2,721.3	7.6	75.6	31	62.7	885.0	45	355.6	35
35	33	CARTER HAWLEY HALE STORES Los Angeles*	2,617.1	(8.8)	17.7	42	–	1,671.6	32	(230.2)	47
36	40	CIRCLE K Phoenix	2,613.8	14.2	60.4	33	22.2	1,535.8	34	283.5	37
37	41	DILLARD DEPARTMENT STORES Little Rock, Ark.	2,558.4	16.0	113.8	22	24.8	2,067.5	25	752.2	20
38	39	LOWE'S COS. North Wilkesboro, N.C.	2,516.9	3.1	69.2	32	13.1	1,085.8	43	586.9	27
39	38	RITE AID Shiremanstown, Pa.*	2,486.3	41.5	144.6	16	85.4	1,224.2	39	571.0	28
40	36	REVCO D.S. Twinsburg, Ohio[1]	2,409.3	(10.1)	(88.5)	48	–	1,844.2	28	(161.7)	46
41	42	UNITED STATES SHOE Cincinnati	2,343.0	8.1	13.0	44	(75.1)	1,111.4	41	516.6	29
42	46	NORDSTROM Seattle	2,327.9	21.2	123.3	20	33.0	1,511.7	37	639.9	24
43	•	GENERAL CINEMA Chestnut Hill, Mass.[15,16]	2,323.8	120.7	87.7	28	26.4	1,897.5	27	604.9	25
44	43	MERCANTILE STORES Wilmington, Del.	2,265.5	5.1	144.5	17	11.5	1,451.8	38	980.9	14
45	45	BEST PRODUCTS Richmond	2,088.3	1.1	(4.4)	45	(114.4)	1,735.6	29	89.3	45
46	•	FRED MEYER Portland, Oreg.	2,073.5	12.2	36.7	39	14.4	686.o	47	258.2	38
47	•	COSTCO WHOLESALE Kirkland, Wash.*	2,029.9	44.9	14.4**	43	184.1	452.4	50	106.1	44
48	•	HOME DEPOT Atlanta	1,999.5	37.6	76.8	29	41.9	699.2	46	382.9	33
49	•	BRUNO'S Birmingham, Ala.[1]	1,982.3	40.0	40.7	38	23.4	591.8	48	249.7	39
50	47	LONGS DRUG STORES Walnut Creek, Calif.	1,925.5	8.6	55.9	34	13.5	507.6	49	309.1	36
		TOTALS	355,395.8		9,115.5			233,298.6		60,267.3	

• Not on last year's list
** Reflects an extraordinary credit of at least 10% – see the explanations of "profits" and "earnings per share" on page 388
† Average for the year: see the reference to "employees" on page 388
‡ Reflects an extraordinary charge of at least 10% – see the explanations of "profits" and "earnings per share" on page 388
N.A. Not available
§ Dividends paid on mandatory redeemable preferred stock subtracted from profits
Net sales include operating revenues from nonretailing activities and revenues from discontinued operations when they are published. All figures are for the fiscal year ended January 31, 1989, unless otherwise noted. Sales of subsidiaries are included when they are consolidated. All companies on the list must have derived more than 50% of their revenues from retail operations.
Figures are for fiscal year ended December 31, 1988.

RETAILING COMPANIES

	MARKET VALUE		NET PROFITS AS PERCENT OF						EARNINGS PER SHARE					TOTAL RETURN TO INVESTORS					EMPLOYEES		
			REVENUES		ASSETS		STOCKHOLDERS' EQUITY			% change from	1978-88 annual growth rate				1978-88 annual average					
	$ Millions	Rank	%	Rank	%	Rank	%	Rank	1988 $	1987	%	Rank	1988 %	Rank	%	Rank	Number	Rank	
1	16,952.0	2	2.9	21	1.9	38	10.3	37	3.84	(11.7)	3.0	30	28.8	21	13.8	31	520,000	1	1
2	7,603.3	4	2.9	19	6.6	21	16.0	25	4.00	17.6	8.2	27	22.5	23	13.1	34	355,000	2	2
3	20,576.0	1	4.1	12	13.2	1	27.8	4	1.48	33.3	37.7	1	21.3	25	47.0	2	223,000	4	3
4	879.8	31	0.2	44	0.7	43	0.7§	42	0.24	(92.0)	(17.0)	34	123.8	2	25.9	16	160,000	8	4
5	1,850.0	22	0.5	42	1.4	40	10.7	36	2.54	(39.4)	9.3	26	16.5	30	22.6	22	165,000	7	5
6	6,765.0	5	5.4	7	6.6	22	20.4	10	6.02	46.5	11.3	21	21.6	24	18.4	29	190,000	5	6
7	N.A.		0.2	43	0.7	44	–		N.A.	–	–		–		–		107,200	13	7
8	3,669.3	11	2.4	28	4.4	30	15.4	27	3.45	43.2	2.1	31	47.4	14	19.9	27	135,000	10	8
9	5,833.9	6	4.5	10	6.6	23	17.5§	22	3.63	25.2	10.5	22	28.9	20	21.8	24	152,000	9	9
10	1,965.8	20	1.1	38	4.6	28	12.2	34	2.71	8.4	30.4	3	20.7	26	23.4	20	83,000	16	10
11	1,914.0	21	1.3	37	7.7	19	16.1	24	2.87	5.5	4.9	29	3.9	35	15.4	30	83,800	15	11
12	3,384.0	13	3.6	15	8.1	17	15.6	26	4.47	17.3	7.5	28	54.8	10	24.7	18	132,185	11	12
13	N.A.		(2.7)	48	(4.4)	49	–		(1.22)	–	–		–		–		50,724	22	13
14	3,655.0	12	3.1	17	3.9	32	32.7	3	1.95	16.8	22.7	6	6.1	34	30.2	10	229,600	3	14
15	4,454.8	9	5.2	9	13.0	2	20.8§	9	3.26	24.2	14.0	19	44.8	15	23.3	21	96,500	14	15
16	2,911.4	15	2.4	27	10.2	10	20.3	11	2.44	29.8	15.2	18	51.8	12	26.6	14	50,000	23	16
17	N.A.		(3.3)	49	(3.4)	48	–		N.A.	–	–		–		–		70,000	17	17
18	10,208.2	3	11.6	1	7.9	18	18.9	18	3.43	9.2	15.8	16	10.7	32	19.7	28	169,000	6	18
19	N.A.		2.6	25	3.6	33	93.3	1	N.A.	–	–		–		–		49,200	24	19
20	2,306.8	17	2.6	24	8.5	15	18.1	20	2.10	25.0	16.6	14	0.3	36	29.0	13	45,000	26	20
21	N.A.		2.1	31	8.7	13	13.5	33	2.05	16.5	–		–		–		57,791	20	21
22	N.A.		(0.5)	46	(1.1)	46	(18.5)	45	N.A.	–	–		–		–		44,000	27	22
23	N.A.		3.5	16	2.0	37	8.3	39	N.A.	–	–		–		–		63,700	18	23
24	2,021.2	18	2.3	30	9.5	12	19.8	15	1.93	28.7	–		14.5	31	–		11,077	49	24
25	5,423.0	8	6.0	5	11.4	5	25.9	6	1.36	8.8	33.6	2	59.6	8	47.2	1	56,700	21	25
26	5,593.4	7	6.7	3	10.5	8	18.8	19	2.04	30.8	29.0	4	17.9	28	41.8	4	33,731	33	26
27	687.2	35	(0.6)	47	(1.4)	47	(11.2)	44	(0.77)	–	–		55.9	9	29.4	11	34,854	32	27
28	3,298.8	14	2.9	18	10.3	9	26.1	5	0.35	29.6	18.9	12	(26.7)	40	36.5	6	35,531	30	28
29	4,060.8	10	8.3	2	12.5	4	19.7	16	3.54	31.1	17.8	13	26.1	22	20.3	26	37,000	29	29
30	1,576.3	26	1.5	35	2.6	35	10.7	35	1.10	13.4	–		85.2	4	–		120,000	12	30
31	614.3	37	1.4	36	2.2	36	7.9	40	1.20	31.9	15.8	15	35.9	17	29.1	12	61,000	19	31
32	774.6	33	2.5	26	4.5	29	20.1	12	1.51	143.5	9.8	23	414.6	1	8.7	35	33,329	34	32
33	N.A.		1.7	34	1.5	39	32.9	2	N.A.	–	–		–		–		37,300	28	33
34	1,564.8	27	2.8	22	8.5	14	21.3	8	2.51	61.9	22.5	7	41.7	16	41.9	3	22,700	41	34
35	203.9	40	0.7	40	1.1	42	–		0.72	–	(11.8)	33	(1.5)	38	22.4	23	35,000	31	35
36	667.9	36	2.3	29	3.9	31	20.0§	14	1.15	23.7	19.9	11	10.0	33	20.4	25	24,544	39	36
37	1,792.2	23	4.4	11	5.5	25	15.1	28	3.53	24.7	25.3	5	72.8	6	37.1	5	23,114	40	37
38	928.5	29	2.7	23	6.4	24	8.8§	38	1.83	18.8	9.7	24	33.0	19	13.7	32	14,774	47	38
39	1,508.0	28	5.8	6	11.8	4	25.3	7	3.50	85.2	21.5	9	(7.5)	39	23.4	19	27,798	35	39
40	N.A.		(3.7)	50	(4.8)	50	–		(27.40)	–	–		–		–		27,500†	37	40
41	796.0	32	0.6	41	1.2	41	2.5	41	0.29	(75.0)	(7.6)	32	82.5	5	25.9	17	45,898	25	41
42	2,792.2	16	5.3	8	8.2	16	19.3	17	1.51	33.6	21.0	10	54.4	11	30.3	9	25,000†	38	42
43	1,741.4	24	3.8	14	4.6	27	14.5	30	1.19	26.6	15.7	17	34.2	18	31.1	8	27,714	36	43
44	1,690.2	25	6.4	4	10.0	11	14.7	29	3.92	11.4	13.7	20	17.7	29	26.3	15	22,000†	42	44
45	N.A.		(0.2)	45	(0.3)	45	(4.9)	43	N.A.	–	–		–		–		18,214	44	45
46	467.4	39	1.8	33	5.3	26	14.2	31	1.50	14.5	–		51.8	13	–		20,000	43	46
47	558.5	38	0.7	39	3.2	34	13.6	32	0.57**	185.0	–		92.4	3	–		6,200	50	47
48	2,002.9	19	3.8	13	11.0	7	20.0	13	1.50	32.7	–		69.4	7	–		15,000	46	48
49	886.7	30	2.1	32	6.9	20	16.3	23	0.50	28.2	22.1	8	(0.2)	37	36.2	7	17,000†	45	49
50	739.7	34	2.9	20	11.0	6	18.1	21	2.75	18.0	9.4	25	19.7	27	13.1	33	12,400	48	50
	137,319.3																4,077,078 *		

RETAILING

* Figures reflect acquisition of Lucky Stores (No. 15 on last year's Retailing list) June 2, 1988.
† Figures are for fiscal year ended February 29, 1988.
‡ Figures are for fiscal year ended June 30, 1989.
§ Figures are for fiscal year ended July 31, 1988.
¶ Formed as a holding company for Montgomery Ward.
June 23, 1988.
** Figures are for fiscal year ended August 31, 1988.
†† Formed as a holding company for Stop & Shop Cos. June 22, 1988.
‡‡ Figures are FORTUNE estimates.
Company was No. 31 on last year's Diversified Service list.
§§ Figures are for fiscal year ended April 30, 1988.
¶¶ Figures are for fiscal year ended March 31, 1988.
Figures are for fiscal year ended May 31, 1988.
*** Figures are for fiscal year ended October 31, 1988.
††† Company was No. 313 on last year's FORTUNE 500 Industrials.

THE 50 LARGEST

TRANSPORTATION

RANK BY REVENUES 1988	1987	COMPANY	REVENUES $ Millions	% change from 1987	PROFITS $ Millions	Rank	% change from 1987	ASSETS $ Millions	Rank	STOCKHOLDERS' EQUITY $ Millions	Rank
1	2	**UNITED PARCEL SERVICE** Greenwich, Conn.	11,032.1	13.9	758.7	2	(3.2)	6,935.5	7	3,180.8	6
2	1	**UAL** Elk Grove, Ill.[2]	9,014.6	(18.1)	1,124.3	1	235.5	6,700.7	9	1,226.1	12
3	5	**AMR** Fort Worth	8,824.3	22.6	476.8	5	140.3	9,722.4	4	3,298.0	5
4	4	**CSX** Richmond	8,668.0	7.8	147.0	14	6.5	15,026.0	1	3,392.0	4
5	3	**TEXAS AIR** Houston	8,572.9	1.2	(718.6)	50	–	8,198.7	5	(222.3)	49
6	9	**DELTA AIR LINES** Atlanta[3]	6,915.4	30.0	306.8	6	16.3	5,748.4	11	2,208.8	7
7	7	**UNION PACIFIC** Bethlehem, Pa.[4]	6,794.0	14.3	644.0	3	10.5	12,228.0	2	4,482.0	2
8	16	**USAIR GROUP** Arlington, Va.	5,707.0	90.2	165.0	11	(15.2)	5,348.9	12	2,069.5	8
9	10	**NWA** Eagan, Minn.	5,650.4	9.9	135.1	15	31.1	4,372.0	14	1,633.7	10
10	8	**SANTA FE SOUTHERN PACIFIC** Chicago	4,934.9	(14.2)	(46.5)	46	(112.4)	6,824.3	8	482.9	22
11	6	**BURLINGTON NORTHERN** Fort Worth	4,699.5	(29.0)	155.8‡	12	(57.8)	6,330.3	10	918.0	13
12	11	**NORFOLK SOUTHERN** Norfolk, Va.	4,461.6	8.5	635.1	4	268.4	10,059.1	3	5,152.6	1
13	12	**TRANS WORLD AIRLINES** Mt. Kisco, N.Y.	4,361.1	7.5	249.7	8	135.2	4,107.7	15	(31.3)	48
14	13	**PAN AM** New York	4,165.1	15.9	(72.7)	48	–	2,149.3	17	(305.8)	50
15	15	**FEDERAL EXPRESS** Memphis[5]	3,882.8	21.5	187.7	10	–	3,008.5	16	1,330.7	11
16	14	**CONSOLIDATED RAIL** Philadelphia	3,490.0	7.5	306.0	7	2.3	7,224.0	6	4,043.0	3
17	17	**CONSOLIDATED FREIGHTWAYS** Menlo Park, Calif.	2,689.1	17.1	113.2	16	51.7	1,536.1	20	766.2	14
18	•	**SOUTHERN PACIFIC TRANS.** San Francisco	2,412.1	–	219.4	9	–	4,709.0	13	1,856.3	9
19	18	**ROADWAY SERVICES** Akron	2,184.5	14.4	80.2	20	58.9	1,192.8	25	670.4	16
20	19	**AMERICAN PRESIDENT COS.** Oakland	2,131.2	14.5	81.3	18	2.8	1,710.5	19	616.7	18
21	20	**YELLOW FREIGHT SYSTEM** Overland Park, Kans.	2,016.5	14.6	69.0	21	67.0	1,020.7	27	409.0	24
22	22	**TIGER INTERNATIONAL** Los Angeles	1,357.5	10.2	89.5	17	54.9	1,011.9	28	155.9	29
23	23	**EMERY AIR FREIGHT** Wilton, Conn.	1,270.1	4.0	(50.3)	47	–	733.2	31	102.8	35
24	24	**CNW** Chicago	995.5	4.0	81.0‡	19	194.0	1,727.0	18	493.5	21
25	25	**SOUTHWEST AIRLINES** Dallas	841.8	8.2	58.0	22	187.5	1,308.4	23	567.4	20
26	27	**ALASKA AIR GROUP** Seattle	814.4	14.7	37.5	26	51.7	730.2	32	306.5	25
27	26	**ARKANSAS BEST** Fort Smith	798.0	9.0	(3.3)	40	(138.0)	553.2	35	31.2	42
28	35	**AMERICA WEST AIRLINES** Phoenix	775.7	34.8	9.4**	32	–	639.5	33	58.0	38
29	30	**AIRBORNE FREIGHT** Seattle	768.0	21.5	7.9	36	19.3	422.1	36	127.4	33
30	28	**ALEXANDER & BALDWIN** Honolulu	701.9	7.1	153.4	13	27.5	1,070.5	26	599.3	19
31	31	**UNIGROUP** Fenton, Mo.[6]	697.6	10.4	6.3	38	41.9	193.0	44	40.8	39
32	33	**CAROLINA FREIGHT** Cherryville, N.C.	650.2	9.3	10.0	31	15.5	347.4	39	133.7	31
33	29	**MAYFLOWER GROUP** Carmel, Ind.	611.6	(4.8)	(13.6)‡	43	–	365.0	38	11.8	45
34	39	**PRESTON** Preston, Md.	593.7	17.5	7.3	35	20.7	337.7	40	113.9	34
35	32	**SOO LINE** Minneapolis	570.5	(7.0)	15.6	29	–	904.5	30	268.8	28
36	37	**ILLINOIS CENTRAL RAILROAD** Chicago[7]	556.4	0.4	45.9	25	2,960.0	1,414.2	21	658.1	17
37	41	**AIR EXPRESS INTERNATIONAL** Darien, Conn.	526.4	40.3	8.2	33	(19.9)	186.6	45	33.4	41
38	•	**TRAILER TRAIN** Chicago	515.4	(2.4)	48.0	23	(11.9)	1,268.2	24	423.4	23
39	38	**KANSAS CITY SOUTHERN IND.** Kansas City, Mo.	507.4	(3.6)	(31.5)	45	(278.1)	979.1	29	291.6	26
40	43	**MIDWAY AIRLINES** Chicago	412.0	18.8	6.5**	37	(65.3)	278.3	42	82.4	37
41	47	**J.B. HUNT TRANSPORT** Lowell, Ark.	392.6	37.1	33.0	27	27.2	300.2	41	150.1	30
42	40	**AMERICAN CARRIERS** Overland Park, Kans.	389.2	(17.6)	(99.4)	49	–	163.4	47	(15.4)	47
43	42	**GRAND TRUNK** Detroit	388.6	5.9	8.2	34	(35.6)	564.4	34	288.8	27
44	45	**HAL** Honolulu	354.0	18.4	(8.8)	41	–	167.5	46	4.5	46
45	44	**TRANSCON** Orange, Calif.	322.0	(3.4)	(23.7)	44	–	114.2	48	28.9	43
46	46	**OVERSEAS SHIPHOLDING GROUP** New York	307.4	4.7	46.4	24	30.6	1,318.2	22	695.7	15
47	49	**BRANIFF** Dallas[8]	297.4	24.2	(12.2)	42	–	104.5	50	33.6	40
48	•	**HARPER GROUP** San Francisco	283.2	27.1	14.1	30	59.9	225.8	43	94.7	36
49	50	**CHEMICAL LEAMAN** Exton, Pa.	241.2	6.4	0.6	39	(45.7)	112.1	49	27.2	44
50	•	**MIDLAND ENTERPRISES** Cincinnati	222.5	9.7	15.6	28	16.6	388.3	37	131.7	32
		TOTALS	129,769.3		5,476.0			140,081.4		43,117.0	

• Not on last year's list.

** Reflects an extraordinary credit of at least 10%; see the explanations of "profits" and "earnings per share" on page 388.

† Average for the year; see the reference to "employees" on page 388.

‡ Reflects an extraordinary charge of at least 10%; see the explanations of "profits" and "earnings per share" on page 388.

§ Dividends paid on mandatory redeemable preferred stock subtracted from profits.

N.A. Not available.

Consolidated operating revenues include those from nontransportation activities and sales from discontinued operations when these are published. All figures are for the year ended December 31, 1988, unless otherwise noted. All companies must derive more than 50% of their operating revenues from carrier opera-

TRANSPORTATION COMPANIES

MARKET VALUE		NET PROFITS AS PERCENT OF						EARNINGS PER SHARE					TOTAL RETURN TO INVESTORS				EMPLOYEES		
		REVENUES		ASSETS		STOCK-HOLDERS' EQUITY			% change from	1978-88 annual growth rate				1978-88 annual average				
$ Millions	Rank	%	Rank	%	Rank	%	Rank	1988/$	1987	%	Rank	1988 %	Rank	%	Rank	Number	Rank	
N.A.		6.9	14	10.9	4	23.9	5	4.69	1.1	27.8	1	–		–		219,400	1	1
2,744.1	8	12.5	4	16.8	1	91.7	1	37.87	529.1	12.2	6	53.1	7	15.4	17	68,500	3	2
3,729.0	3	5.4	17	4.9	16	14.5	14	7.92	141.5	6.4	13	52.1	9	15.5	15	77,100	2	3
3,442.1	5	1.7	31	1.1	38	4.3§	36	0.93	5.7	(2.1)	24	14.0	29	23.1	5	53,968†	6	4
540.5	22	(8.4)	49	(8.8)	47	–		(18.88)	–	–		9.2	31	0.8	28	67,937	4	5
3,279.6	6	4.4	21	3.3	13	13.9	17	6.30	6.8	6.7	11	38.5	15	11.8	24	54,920	5	6
7,503.2	1	9.5	5	5.3	14	14.4	15	5.65	10.8	7.4	10	23.1	24	13.5	21	47,259†	9	7
1,970.1	11	2.9	27	3.1	29	8.0	27	3.81	(27.8)	(0.6)	21	2.6	32	17.6	11	47,600	8	8
2,998.9	7	2.4	29	3.1	28	8.3	26	4.63	29.0	4.9	17	45.0	13	8.5	25	35,532	10	9
3,542.8	4	(0.9)	41	(0.7)	41	(9.6)	39	(0.30)	(112.7)	–		1.4	33	23.4	4	21,589	20	10
1,715.3	13	3.3	26	2.5	31	16.6§	8	2.04‡	(58.6)	(0.4)	20	30.9	19	27.9	2	32,400	13	11
5,686.9	2	14.2	3	6.3	9	12.3	19	3.51	285.7	12.0	7	24.7	22	21.9	8	34,054	11	12
N.A.		5.7	16	6.1	12	–		N.A.	–	–		–		–		30,817†	14	13
611.1	21	(1.7)	42	(3.4)	43	–	42	(0.51)	–	–		(18.2)	38	(10.2)	31	25,200	17	14
2,417.4	9	4.8	19	6.2	11	14.1	16	3.56	–	15.6	3	27.0	20	22.7	7	48,556†	7	15
2,406.8	10	8.8	8	4.2	22	7.6	29	4.44	2.3	–		26.4	21	–		32,623†	12	16
1,192.5	14	4.2	22	7.4	6	14.8	13	3.00	55.4	6.4	12	24.1	23	20.6	10	29,400	15	17
N.A.		9.1	7	4.7	19	11.8	23	N.A.	–	–		–		–		22,858	19	18
1,154.0	15	3.7	24	6.7	8	12.0	21	2.00	58.7	3.7	18	(0.4)	34	13.0	22	23,800†	18	19
616.0	20	3.8	23	4.8	17	12.8§	18	3.46	1.2	(9.0)	28	17.4	27	–		4,508	33	20
758.9	17	3.4	25	6.8	7	16.9	7	2.40	66.7	5.8	15	16.2	28	16.3	13	27,200	16	21
N.A.		6.6	15	8.8	5	57.4	2	2.36	52.3	(3.9)	25	79.5	1	(0.9)	29	6,900	28	22
N.A.		(4.0)	45	(6.9)	46	(48.9)	43	(2.21)	–	–		(2.4)	35	(8.9)	30	16,600	21	23
682.8	18	8.1	11	4.7	18	16.4	9	4.57‡	254.3	14.5	4	20.1	26	17.4	12	8,500	24	24
863.2	16	6.9	13	4.4	20	10.2	25	1.84	192.1	8.6	9	52.5	8	22.8	6	6,467	29	25
425.2	24	4.6	20	5.1	15	12.2	20	2.37	50.0	5.1	16	49.5	12	21.3	9	6,205	31	26
N.A.		(0.4)	40	(0.6)	40	(10.7)	40	N.A.	–	–		–		–		11,421	22	27
178.3	27	1.2	36	1.5	36	16.1	10	0.51**	–	–		73.3	3	–		7,066†	27	28
179.6	26	0.9	37	1.7	35	5.5	35	1.01	12.2	(6.4)	27	51.4	10	6.0	27	8,500	25	29
1,724.3	12	21.9	1	14.3	2	25.6	3	3.06	33.3	17.8	2	49.6	11	33.2	1	3,237	40	30
N.A.		0.9	38	3.3	26	15.5	11	N.A.	–	–		–		–		950	49	31
158.6	29	1.5	34	2.9	30	7.4	30	1.50	15.4	6.2	14	21.6	25	26.9	3	9,935	23	32
N.A.		(2.2)	43	(3.7)	44	(115.0)	45	(0.57)‡	–	–		–		–		2,268	44	33
83.5	33	1.2	35	2.2	33	6.5	33	1.27	19.8	(1.6)	23	77.2	2	12.4	23	8,488	26	34
175.6	28	2.7	28	1.7	34	5.8	34	1.64	–	(6.1)	26	38.3	16	6.8	26	4,707	32	35
N.A.		8.2	10	3.2	27	7.0	31	N.A.	–	–		–		–		3,712	38	36
71.4	34	1.6	33	4.4	21	24.6	4	1.64	(21.9)	10.0	8	55.6	6	15.5	16	3,691	39	37
N.A.		9.3	6	3.8	24	11.3	24	2,597.00	(11.9)	3.5	19	–		–		1,218	48	38
399.8	25	(6.2)	47	(3.2)	42	(10.8)	41	(3.08)	(269.2)	–		(14.9)	37	15.0	18	3,910	36	39
152.9	30	1.6	32	2.4	32	7.9	28	0.60**	(64.9)	–		11.4	30	–		3,969	35	40
472.1	23	8.4	9	11.0	3	22.0	6	1.40	27.3	–		41.5	14	–		6,466	30	41
9.4	37	(25.6)	50	(60.9)	50	–		(12.96)	–	–		(82.2)	39	–		300	50	42
N.A.		2.1	30	1.5	37	2.8	37	N.A.	–	–		–		–		3,835†	37	43
57.9	35	(2.5)	44	(5.2)	45	(193.9)	46	(4.48)	–	–		31.0	18	15.7	14	1,000	41	44
12.7	36	(7.4)	48	(20.8)	49	(82.2)	44	(3.89)	–	–		(9.1)	36	(12.5)	32	4,179†	34	45
666.1	19	15.1	2	3.5	25	6.7	32	1.29	30.9	(1.5)	22	64.0	4	14.0	20	1,950†	45	46
125.4	32	(4.1)	46	(11.7)	48	(36.4)	42	(0.99)	–	–		61.3	5	–		2,350	43	47
142.3	31	5.0	18	6.3	10	14.9	12	1.51	58.9	13.0	5	36.5	17	14.6	19	2,400	42	48
N.A.		0.3	39	0.6	39	2.3	38	0.67	(32.3)	(18.9)	29	–		–		1,926	46	49
N.A.		7.0	12	4.0	23	11.9	22	N.A.	–	–		–		–		1,640†	47	50
52,890.4																1,151,011		

tions and file public financial statements.
† Name changed from Allegis May 26, 1988.
‡ Figures are for fiscal year ended June 30, 1988.
§ Figures reflect acquisition of Missouri Kansas Texas Railroad (No. 48 on last year's Transportation list) August 1, 1988.
** Figures are for fiscal year ended May 31, 1988.
†† Name changed from United Van Lines January 1, 1988.
‡‡ Wholly owned by Whitman (No. 119 on the FORTUNE 500 Industrials list).
§§ Name changed from Illinois Central Gulf Railroad January 25, 1988.
¶ Figures are for fiscal year ended January 31, 1988.

THE SERVICE 500

THE 50 LARGEST

UTILITIES

RANK BY ASSETS 1988	1987	COMPANY	ASSETS[1] $ Millions	% change from 1987	OPERATING REVENUES[2] $ Millions	Rank	% change from 1987	PROFITS $ Millions	Rank	% change from 1987	STOCKHOLDERS' EQUITY $ Millions	Rank
1	1	**GTE** Stamford, Conn.	31,103.9	8.2	16,459.9	1	6.7	1,224.7	5	9.5	8,631.3	4
2	2	**BELLSOUTH** Atlanta	28,472.4	3.9	13,596.9	2	10.8	1,665.5	1	0.0	11,839.4	1
3	3	**NYNEX** New York	25,362.0	11.3	12,661.0	3	4.8	1,315.0	3	3.0	9,420.0	2
4	6	**BELL ATLANTIC** Philadelphia	24,729.2	16.4	10,880.1	4	5.6	1,316.8	2	6.2	9,176.7	3
5	9	**US WEST** Englewood, Colo.	22,415.9	17.4	9,220.6	7	9.2	1,131.7	7	12.6	7,785.6	9
6	7	**PACIFIC TELESIS GROUP** San Francisco	21,191.0	0.6	9,483.0	6	3.9	1,188.0	6	25.1	8,085.0	6
7	4	**PACIFIC GAS & ELECTRIC** San Francisco	21,067.7	(3.1)	7,645.7	9	6.4	62.1	45	(91.0)	7,920.1	7
8	5	**SOUTHWESTERN BELL** St. Louis	20,985.1	(2.4)	8,452.7	8	5.6	1,060.1	8	1.2	8,504.2	5
9	8	**SOUTHERN** Atlanta	19,729.0	2.9	7,235.0	10	3.2	846.0	9	52.6	6,686.0	11
10	10	**AMERICAN INFORMATION TECH.** Chicago	19,163.0	2.0	9,903.3	5	3.9	1,237.4	4	4.1	7,843.5	8
11	11	**COMMONWEALTH EDISON** Chicago	17,822.3	(1.9)	5,613.3	15	(1.1)	737.5	11	(32.1)	7,394.4	10
12	15	**TEXAS UTILITIES** Dallas	16,057.6	14.8	4,153.7	19	1.7	642.7	12	(5.5)	5,641.1	12
13	12	**MIDDLE SOUTH UTILITIES** New Orleans	15,941.8	5.2	3,565.4	22	3.2	411.0	21	15.3	5,231.9	13
14	33	**PINNACLE WEST CAPITAL** Phoenix	15,054.1	124.6	2,091.1	41	59.2	4.2	47	(98.5)	2,034.8	35
15	13	**SCECORP** Rosemead, Calif.[3]	14,866.3	4.6	6,252.7	11	13.8	761.8	10	(3.4)	5,064.8	14
16	14	**AMERICAN ELECTRIC POWER** Columbus, Ohio	14,262.5	1.8	4,840.8	17	1.1	626.8	13	24.8	4,226.0	16
17	17	**PHILADELPHIA ELECTRIC** Philadelphia	11,862.9	5.8	3,228.7	26	1.5	566.0	15	4.3	4,215.0	17
18	20	**FPL GROUP** North Palm Beach, Fla.	11,793.3	18.1	5,853.5	13	31.9	447.8	18	11.1	3,265.5	21
19	19	**PUBLIC SVCE. ENTERPRISE GROUP** Newark, N.J.	11,690.4	7.7	4,394.7	18	4.4	528.6	17	1.6	3,925.1	18
20	16	**CENTERIOR ENERGY** Independence, Ohio	11,573.1	2.6	2,037.6	43	4.7	(74.0)	48	(118.9)	2,771.8	25
21	40	**PACIFICORP** Portland, Oreg.	11,396.1	99.0	3,519.3	23	62.7	446.7	19	67.7	2,935.9	23
22	22	**DOMINION RESOURCES** Richmond	10,282.3	6.5	3,344.1	25	2.9	438.4	20	1.8	3,224.2	22
23	21	**HOUSTON INDUSTRIES** Houston	10,219.0	5.1	3,649.5	20	0.6	395.3	22	(9.1)	3,407.4	20
24	18	**DETROIT EDISON** Detroit	10,060.3	(9.8)	3,102.2	28	8.6	(378.8)	49	(168.3)	2,515.7	29
25	23	**CONSOLIDATED EDISON OF NEW YORK** New York	9,551.7	1.8	5,108.8	16	0.3	599.3	14	8.9	4,799.4	15
26	26	**DUKE POWER** Charlotte, N.C.	8,890.6	4.5	3,627.0	21	(2.1)	550.4	16	10.0	3,872.1	19
27	28	**ENRON** Houston	8,694.8	12.7	5,707.6	14	(6.2)	109.0‡	43	1,829	1,637.0	41
28	•	**TELE-COMMUNICATIONS** Denver	8,574.0	36.2	2,282.0	35	33.5	56.0	46	900.0	1,205.5	50
29	25	**LONG ISLAND LIGHTING** Hicksville, N.Y.	8,326.3	(10.7)	2,137.8	40	3.2	(1,046.6)	50	(487.8)	2,684.3	26
30	24	**CMS ENERGY** Dearborn, Mich.	8,304.9	(11.2)	2,942.7	30	5.1	271.6	29	47.8	1,984.5	37
31	30	**CENTRAL & SOUTH WEST** Dallas	8,110.0	6.4	2,512.0	33	3.1	356.0	23	(4.3)	2,594.0	27
32	27	**OHIO EDISON** Akron	7,555.5	(4.4)	2,142.6	39	20.4	218.9	32	(47.0)	2,843.3	24
33	31	**PENNSYLVANIA POWER & LIGHT** Allentown	7,524.6	4.6	2,213.9	37	6.0	332.0	24	9.8	2,049.8	34
34	29	**CAROLINA POWER & LIGHT** Raleigh, N.C.	7,504.2	(1.9)	2,273.4	36	9.2	196.8	36	(42.7)	2,542.6	28
35	32	**NIAGARA MOHAWK POWER** Syracuse, N.Y.	7,076.0	4.1	2,800.5	32	6.7	208.8	34	—	1,881.4	39
36	45	**PACIFIC ENTERPRISES** Los Angeles	6,866.0	36.6	5,932.0	12	11.1	222.0	31	(11.6)	1,924.0	38
37	34	**GULF STATES UTILITIES** Beaumont, Tex.	6,858.1	2.7	1,520.5	48	6.1	103.1	44	(57.2)	2,324.5	30
38	35	**NORTHEAST UTILITIES** West Springfield, Mass.	6,764.6	1.5	2,079.2	42	(0.1)	233.9	30	2.1	1,837.0	40
39	37	**GENERAL PUBLIC UTILITIES** Parsippany, N.J.	6,415.4	2.2	2,834.0	31	6.0	283.8	27	9.5	2,024.0	36
40	39	**ILLINOIS POWER** Decatur	6,053.1	2.2	1,284.7	50	5.3	189.4	38	(34.6)	2,210.8	31
41	41	**CONTEL** Atlanta	5,865.5	6.4	2,963.7	29	2.0	276.1	28	542.1	1,573.0	43
42	38	**UNION ELECTRIC** St. Louis	5,827.2	(2.2)	2,029.1	44	4.2	291.6	26	(12.7)	2,175.1	32
43	42	**COLUMBIA GAS SYSTEM** Wilmington, Del.	5,641.0	3.9	3,128.9	27	11.8	119.0	42	6.9	1,552.6	44
44	44	**TEXAS EASTERN** Houston	5,444.2	7.3	3,519.1	24	(2.6)	151.9	41	58.1	1,376.8	47
45	46	**BALTIMORE GAS & ELECTRIC** Baltimore	5,126.4	13.7	1,863.7	47	3.0	303.4	25	1.1	2,174.0	33
46	47	**NEW YORK STATE ELECTRIC & GAS** Binghamton	4,693.3	4.6	1,340.2	49	3.9	171.5	40	—	1,334.5	48
47	48	**NORTHERN STATES POWER** Minneapolis	4,495.5	2.1	2,006.5	45	13.3	214.8	33	4.8	1,446.0	46
48	49	**ALLEGHENY POWER SYSTEM** New York	4,334.4	0.7	2,170.5	38	9.6	205.1	35	(0.9)	1,524.9	45
49	•	**FLORIDA PROGRESS** St. Petersburg	4,303.5	4.2	2,002.0	46	2.3	179.8	39	(4.3)	1,316.9	49
50	•	**CONSOLIDATED NATURAL GAS** Pittsburgh	4,109.4	4.1	2,467.8	34	6.3	192.9	37	3.7	1,634.8	42
		TOTALS	590,011.5		232,074.8			21,591.7			196,268.3	

• Not on last year's list.
† Average for the year; see the reference to "employees" on page 388.
‡ Reflects an extraordinary charge of at least 10%; see the explanations of "profits" and "earnings per share" on page 388.
§ Dividends paid on mandatory redeemable preferred stock subtracted from profits.
N.A. Not available.
[1] Assets are shown as of December 31, 1988, unless otherwise noted.

MARKET VALUE		NET PROFITS AS PERCENT OF						EARNINGS PER SHARE				TOTAL RETURN TO INVESTORS				EMPLOYEES		
		REVENUES		ASSETS		STOCKHOLDERS' EQUITY			% change from	1978-88 annual growth rate				1978-88 annual average				
$ Millions	Rank	%	Rank	%	Rank	%	Rank	1988/$	1987	%	Rank	1988 %	Rank	%	Rank	Number	Rank	
15,382.4	4	7.4	39	3.9	28	14.1§	11	3.58	8.8	2.3	23	34.4	9	17.9	18	159,000	1	1
20,244.2	1	12.2	18	5.8	5	14.1	12	3.51	1.4	–		15.9	27	–		100,280	2	2
14,454.9	6	10.4	28	5.2	8	14.0	14	6.63	5.9	–		9.0	40	–		97,400	3	3
15,638.0	2	12.1	20	5.3	7	14.3	10	6.65	6.6	–		15.7	29	–		81,000	4	4
11,597.8	8	12.3	17	5.0	11	14.5	7	6.17	16.2	–		20.3	15	–		69,765	6	5
15,604.4	3	12.5	15	5.6	6	14.7	6	2.81	27.1	–		22.9	12	–		69,696	7	6
7,457.4	10	0.8	46	0.3	46	0.6§	46	(0.10)	(106.5)	–		19.9	16	16.2	22	26,900†	12	7
14,231.4	7	12.5	14	5.1	10	12.5	29	3.53	1.4	–		25.2	11	–		64,930	8	8
7,694.0	9	11.7	23	4.3	23	12.7	27	2.72	41.7	6.5	8	10.0	38	17.5	19	32,523	10	9
14,806.0	5	12.5	16	6.5	1	15.8	2	4.55	7.4	–		19.9	17	–		77,334	5	10
7,111.5	11	13.1	9	4.1	26	9.0§	37	3.01	(36.4)	(0.9)	31	33.1	10	14.7	28	18,023	18	11
4,955.3	17	15.5	3	4.0	27	11.4	34	4.00	(12.1)	4.6	14	15.7	28	14.1	32	15,669	21	12
3,605.7	24	11.5	24	2.6	41	7.9	39	2.01	15.5	(2.0)	32	96.4	1	9.6	39	13,136	24	13
1,203.3	48	0.2	47	0.0	47	(0.9)	47	0.05	(98.5)	(33.9)	39	(35.6)	50	9.0	40	11,200	28	14
7,072.7	12	12.2	19	5.1	9	15.0	3	3.49	2.9	7.1	6	14.3	33	20.3	6	16,995	19	15
5,152.9	15	12.9	11	4.4	21	14.8	5	3.24	24.6	3.7	18	12.8	34	14.6	31	22,886	14	16
4,286.7	21	17.5	1	4.8	14	12.5§	28	2.33	0.0	2.2	24	21.2	13	16.6	21	11,329	27	17
4,015.6	23	7.6	37	3.8	31	13.7	16	3.42	10.3	4.2	16	16.7	26	18.9	11	19,000	17	18
5,031.1	16	12.0	21	4.5	18	13.5	21	2.57	0.8	2.7	20	11.4	36	17.9	17	12,833	25	19
2,235.5	36	(3.6)	48	(0.6)	48	(2.7)	48	(0.53)	(118.8)	–		(5.2)	47	11.8	34	9,103	34	20
4,452.7	19	12.7	13	3.9	29	14.5§	8	3.46	(3.9)	3.3	19	17.4	23	16.0	23	16,418	20	21
4,097.0	22	13.1	10	4.3	24	13.6	20	4.52	(0.4)	4.8	13	9.4	39	18.3	13	14,043	22	22
3,466.5	25	10.8	26	3.9	30	11.6	32	3.34	(10.7)	1.8	25	3.0	44	15.2	27	11,599	26	23
2,733.9	31	(12.2)	49	(3.8)	49	(15.7)	49	(2.92)	(189.8)	–		45.7	6	15.3	26	10,614	31	24
5,343.8	14	11.7	22	6.3	2	12.4§	30	4.93	11.5	8.7	2	19.6	18	25.0	2	20,108	15	25
4,607.9	18	15.2	4	6.2	3	13.7§	18	4.91	11.6	6.5	7	14.9	31	19.0	10	19,600	16	26
2,024.7	41	1.9	45	1.3	44	6.0§	43	1.54‡	–	(6.7)	37	0.0	45	14.6	30	6,263	44	27
6,045.7	13	2.5	44	0.7	45	4.6	44	0.31	675.0	20.6	1	10.6	36	46.7	1	28,300	11	28
1,751.3	43	(49.0)	50	(12.6)	50	(39.0)	50	(10.08)	(682.7)	–		78.9	3	3.7	43	6,200	45	29
2,180.5	37	9.2	33	3.3	34	13.7	17	3.31	54.0	0.3	29	80.6	2	8.8	41	10,072	32	30
3,019.5	28	14.2	8	4.4	22	13.7	15	3.43	(12.5)	4.3	15	17.1	24	18.0	16	8,478	38	31
3,126.4	27	10.2	29	2.9	38	7.2§	41	1.22	(49.2)	0.2	30	4.0	43	15.8	24	7,180	43	32
2,662.0	32	15.0	5	4.4	20	14.4§	9	3.73	12.3	2.7	21	18.4	20	18.1	14	8,306	39	33
2,863.1	30	8.7	35	2.6	40	6.4§	42	2.04	(46.7)	(4.1)	33	20.8	14	16.9	20	9,027	36	34
1,627.6	46	7.5	38	3.0	37	9.4§	36	1.21	–	(4.4)	34	18.1	21	11.2	36	10,950	29	35
2,611.2	33	3.7	43	3.2	35	11.5	33	3.51	(15.2)	1.2	27	(18.5)	49	15.7	25	40,538	9	36
1,040.0	50	6.8	40	1.5	43	4.4	45	0.37	(77.6)	(14.3)	38	65.8	4	5.4	42	4,844	48	37
2,132.6	39	11.3	25	3.5	33	12.7	25	2.15	1.9	5.0	12	7.1	42	20.3	5	9,050	35	38
2,155.2	38	10.0	30	4.4	19	14.0	13	4.75	15.3	7.5	4	39.3	7	9.9	38	13,473	23	39
1,050.1	49	14.7	6	3.1	36	7.9§	38	1.66	(55.7)	(4.9)	36	(3.7)	46	10.9	37	4,663	49	40
4,293.0	20	9.3	32	4.7	16	17.5§	1	3.50	536.4	5.6	10	47.6	5	19.8	9	23,000	13	41
2,438.2	34	14.4	7	5.0	12	13.1§	24	2.56	(12.0)	2.4	22	17.0	25	18.1	15	7,245	42	42
1,692.0	45	3.8	42	2.1	42	7.7§	40	2.46	7.0	(4.6)	35	(8.0)	48	12.0	33	10,785†	30	43
2,876.7	29	4.3	41	2.8	39	11.0	35	2.85	58.3	0.4	28	35.1	8	11.3	35	9,300	33	44
2,418.6	35	16.3	2	5.9	4	13.2§	23	3.47	0.0	7.5	5	12.4	35	19.9	8	8,806	37	45
1,311.4	47	12.8	12	3.7	32	12.7§	26	2.81	–	1.3	26	19.0	19	14.7	29	4,494	50	46
2,024.8	40	10.7	27	4.8	13	14.9	4	3.11	3.3	6.3	9	18.1	22	20.3	7	7,504	40	47
1,889.9	42	9.4	31	4.7	15	13.4	22	3.96	(2.2)	7.6	3	9.0	41	20.4	4	5,851	46	48
1,748.5	44	9.0	34	4.2	25	13.7	19	3.52	(5.9)	4.0	17	14.7	32	18.9	12	5,512	47	49
3,430.8	26	7.8	36	4.7	17	11.8	31	2.34	4.5	5.0	11	15.6	30	22.8	3	7,501	41	50
264,896.5																1,278,726		

ed. Only assets of consolidated subsidiaries are included. § Gross receipts from operations during the 1988 fiscal year, including any nonutility revenues from manufacturing, transportation, etc., and revenues from discontinued operations when they are published. All companies on the list must have derived more than 50% of their revenues from utility operations.

† Name changed from Southern California Edison July 1, 1988.

DEFINITIONS AND EXPLANATIONS

ASSETS

Assets are those shown at the company's fiscal year-end.

PROFITS

Profits are shown after taxes and after extraordinary credits or charges if any are shown on the income statement. A double asterisk (**) signifies an extraordinary credit reflecting at least 10% of the profits shown, a double dagger (‡) an extraordinary charge of at least 10%. Figures in parentheses indicate a loss. Profit declines over 100% reflect swings from 1987 profits to 1988 losses. Cooperatives provide only "net margin" figures, which are not comparable with the profits figures in these listings, and therefore N.A. is shown in that column.

STOCKHOLDERS' EQUITY

Stockholders' equity is the sum of capital stock, surplus, and retained earnings at the company's year-end. Redeemable preferred stock is excluded if its redemption is either mandatory or outside the control of the company, except in the case of cooperatives. For purposes of calculating "profits as percent of stockholders' equity," any dividends paid on redeemable preferred stock, if that stock's redemption is either mandatory or outside the control of the company, have been subtracted from profits.

EMPLOYEES

The figure shown is a year-end total except when it is followed by a dagger (†), in which case it is an average.

MARKET VALUE

The figure shown was arrived at by multiplying the number of common shares outstanding (at the latest date available) by the price per common share as of April 21, 1989.

EARNINGS PER SHARE

For all companies the figures shown are the primary earnings per share that appear on the company's income statement. Per share earnings for 1987 and 1978 are adjusted for stock splits and stock dividends. They are not restated for mergers, acquisitions, or accounting changes made after 1978. A double asterisk (**) signifies an extraordinary credit reflecting at least 10% of the profit shown, a double dagger (‡) an extraordinary charge of at least 10%. Results are listed as not available (N.A.) if the companies are cooperatives, joint ventures, or wholly owned subsidiaries of other companies, or if the figures were not published in 1978. The growth rate is the average annual growth, compounded. No growth rate is given if the company had a loss in either 1978 or 1988.

TOTAL RETURN TO INVESTORS

Total return to investors includes both price appreciation and dividend yield to an investor in the company's stock. The figures shown assume sales at the end of 1988 of stock owned at the end of 1978 and 1987. It has been assumed that any proceeds from cash dividends, the sale of rights and warrant offerings, and stock received in spinoffs were reinvested when they were paid. Returns are adjusted for stock splits, stock dividends, recapitalizations, and corporate reorganizations as they occur; however, no effort has been made to reflect the cost of brokerage commissions or of taxes. Results are listed as not available (N.A.) if shares are not publicly traded or are traded on only a limited basis. If companies have more than one class of shares outstanding, only the more widely held and actively traded has been considered. Total return percentages shown are the returns received by the hypothetical investor described above. The ten-year figures are annual averages, compounded.

Most of the figures in the FORTUNE Service 500 Directory were prepared by reporters Karen Nickel and Alan Deutschman. The figures on market value, per share earnings, and total return to investors were prepared by Claudine Knight and Kathleen Smyth.

INDUSTRY MEDIANS

CHANGES IN SALES[1]

	INCREASES
DIVERSIFIED SERVICE	14.4%
RETAILING	13.9
DIVERSIFIED FINANCIAL	9.8
TRANSPORTATION	9.7
UTILITIES	5.1

CHANGES IN PROFITS[2]

	INCREASES
COMMERCIAL BANKS	32.5%
DIVERSIFIED SERVICE	22.0
RETAILING	20.3
TRANSPORTATION	20.0
UTILITIES	3.0
	DECREASES
SAVINGS INSTITUTIONS	18.6%
DIVERSIFIED FINANCIAL	4.7

TOTAL RETURN TO INVESTORS, 1988[3]

RETAILING	28.9%
TRANSPORTATION	27.0
DIVERSIFIED SERVICE	21.2
COMMERCIAL BANKS	19.3
UTILITIES	16.8
DIVERSIFIED FINANCIAL	14.8
SAVINGS INSTITUTIONS	(2.6)
THE SERVICE 500 MEDIAN	18.3

TOTAL RETURN TO INVESTORS 1978-88 ANNUAL AVERAGE[3]

RETAILING	24.7%
COMMERCIAL BANKS	20.2
DIVERSIFIED SERVICE	19.6
DIVERSIFED FINANCIAL	17.8
UTILITIES	16.2
TRANSPORTATION	15.5
SAVINGS INSTITUTIONS	10.0
THE SERVICE 500 MEDIAN	18.4

RETURN ON SALES[1]

	1988	1987
UTILITIES	11.0%	12.0%
DIVERSIFIED FINANCIAL	5.9	6.9
TRANSPORTATION	3.4	3.0
RETAILING	2.5	2.4
DIVERSIFIED SERVICE	2.2	3.1
THE SERVICE 500 MEDIAN	3.8	2.9

RETURN ON ASSETS[2]

RETAILING	5.4%
UTILITIES	4.2
DIVERSIFIED SERVICE	4.0
TRANSPORTATION	3.4
DIVERSIFIED FINANCIAL	1.2
COMMERCIAL BANKS	0.9
SAVINGS INSTITUTIONS	0.4
THE SERVICE 500 MEDIAN	1.1

RETURN ON STOCKHOLDERS' EQUITY[2]

	1988	1987
RETAILING	16.3%	15.5%
COMMERCIAL BANKS	14.6	11.1
DIVERSIFIED FINANCIAL	12.8	16.3
UTILITIES	12.7	12.8
DIVERSIFIED SERVICE	12.4	12.2
TRANSPORTATION	11.6	9.7
SAVINGS INSTITUTIONS	8.8	12.2
THE SERVICE 500 MEDIAN	13.0	11.5

SALES PER DOLLAR OF STOCKHOLDERS' EQUITY[1]

DIVERSIFIED SERVICE	$5.91
RETAILING	4.06
TRANSPORTATION	3.06
DIVERSIFED FINANCIAL	2.40
UTILITIES	1.14
THE SERVICE 500 MEDIAN	3.01

SALES PER EMPLOYEE[1]

DIVERSIFIED FINANCIAL	$314,095
UTILITIES	265,816
DIVERSIFIED SERVICE	239,439
TRANSPORTATION	126,053
RETAILING	102,756
THE SERVICE 500 MEDIAN	172,127

Commercial banks, savings institutions, and life insurance companies are not included. [2] Life insurance companies are not included.

THE MONEY LOSERS†

	RANK	LOSS
AMERICAN TEL. & TEL.	S-1	$1,669.0
LONG ISLAND LIGHTING	U-29	1,046.6
MCORP	B-38	940.0*
TEXAS AIR	T-5	718.6*
DETROIT EDISON	U-24	378.8
FIRST BANK SYSTEM	B-29	310.0
MAXICARE HEALTH PLANS	S-49	267.8*
SOUTHLAND	R-13	216.2*
MERITOR FINANCIAL GROUP	I-5	209.8*
WESTERN S&L ASS'N	I-33	201.7
R.H. MACY	R-17	188.2*
ENSERCH	S-31	166.4
MORRISON KNUDSEN	S-37	127.1*
SOUTHMARK	F-29	125.1
VIACOM INTERNATIONAL	S-68	123.1*
GOLDOME	I-11	119.1
GIBRALTAR FINANCIAL CORP.	I-10	100.5*
AMERICAN CARRIERS	T-42	99.4*
REVCO D.S.	R-40	88.5*
LORIMAR TELEPICTURES	S-99	86.8*
CENTERIOR ENERGY	U-20	74.0
PAN AM	T-14	72.7*
FLORIDA FEDERAL S&L ASS'N	I-38	68.9*
MELLON BANK CORP.	B-16	65.0*
COLUMBIA PICT. ENTERTAIN.	S-82	62.3
SUBARU OF AMERICA	S-48	57.9*
EMPIRE OF AMER. FED. SAV.	I-18	57.3
LOMAS & NETTLETON FNL.	F-35	56.4
HARCOURT BRACE JOVAN.	S-47	53.5
EMERY AIR FREIGHT	T-23	50.3*
SANTA FE SOUTH. PACIFIC	T-10	46.5
CHARTER MEDICAL	S-64	38.9
KANSAS CITY SOUTHERN	T-39	31.5
APL	S-72	31.5
M.D.C. HOLDINGS	S-97	31.4
BEVERLY ENTERPRISES	S-42	23.9*
VONS COS.	R-27	23.9
TRANSCON	T-45	23.7*
CITYFED FINANCIAL	I-19	23.6
NATIONAL INTERGROUP	S-24	21.9*
SSC HOLDINGS	R-22	21.5
TESORO PETROLEUM	S-80	19.4*
HOMESTEAD FINAN. CORP.	I-32	15.6
PERMIAN PARTNERS	S-36	14.7
MAYFLOWER GROUP	T-33	13.6
BRANIFF	T-47	12.2*
HAL	T-44	8.8*
DCNY	F-45	8.5
FINAN. CORP. OF S. BARBARA	I-39	7.1
TONKA	S-96	5.8*
BEST PRODUCTS	R-45	4.4
BALFOUR MACLAINE	S-87	4.0
ARKANSAS BEST	T-27	3.3

†Life insurance companies are not included. *Also lost money in 1987.

ARRIVALS AND DEPARTURES

NEWCOMERS TO THE 500	RANK
AMERICAN FAMILY LIFE	L-41
APL	S-72
BANCAL TRI-STATE CORP.	B-72
BANK SOUTH CORP.	B-97
BENJ. FRANKLIN FED. S&L ASS'N	I-34
BRUNO'S	R-49
CENTRAL FIDELITY BANKS	B-100
CINCINNATI FINANCIAL	F-47
CITIZENS SAVINGS FINANCIAL CORP.	I-44
COLUMBIA PICTURES ENTERTAINMENT	S-82
COSTCO WHOLESALE	R-47
ECOLAB	S-71
FIFTH THIRD BANCORP	B-90
FIRST ALABAMA BANCSHARES	B-93
FIRST EMPIRE STATE CORP.	F-36
FIRST NAT'L CINCINNATI CORP.	B-86
FIRST VIRGINIA BANKS	B-98
FLORIDA PROGRESS	U-49
FRANKLIN SAVINGS ASS'N	I-12
FUJI BANK & TRUST CO.	B-96
GENERAL CINEMA	R-43
HARCOURT BRACE JOVANOVICH	S-47
HARPER GROUP	T-48
HARTFORD LIFE	L-30
HOME DEPOT	R-48
HOME OWNERS FED. S&L ASS'N	I-50
INDUSTRIAL BANK OF JAPAN TRUST CO.	B-99
ITT	F-8
JACKSON NATIONAL LIFE	L-35
MERCHANTS NATIONAL CORP.	B-92
MIDLAND ENTERPRISES	T-50
NVR L.P.	S-63
PEOPLE'S BANK	I-30
PERMIAN PARTNERS	S-36
PROGRESSIVE CORP.	F-46
SANWA BANK CALIFORNIA	B-77
SCHWAB (CHARLES)	F-43
SFFED CORP.	I-46
STANDARD FEDERAL BANK	I-21
STATESMAN GROUP	F-44
SUN LIFE OF AMERICA	L-50
TALMAN HOME FED. S&L ASS'N OF ILL.	I-29
TELE-COMMUNICATIONS	U-28
TONKA	S-96
TRAILER TRAIN	T-38
WHEELABRATOR GROUP	S-70

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ACE HARDWARE (1986: S-65)	S-60
ALLEGHANY (1986: F-47)	F-50
AMERICAN GENERAL (1984: F-11)	F-12
AMER. S&L ASS'N. OF FLA. (1986: I-50)	I-35
AMERICAN TEL. & TEL. (1983: U-1)	S-1
ARROW ELECTRONICS (1984: S-80)	S-88
CONSOLIDATED NATURAL GAS (1983: U-48)	U-50
FOSTER WHEELER (1985: S-52)	S-86
HARDWARE WHOLESALERS (1986: S-90)	S-92
HARVEST STATES COOPS (1984: S-12)	S-35
MARSH & MCLENNAN COS. (1986: F-48)	F-49
MEYER (FRED) (1979: R-48)	R-46
SOUTHERN PACIFIC TRANS. (1982: T-3)	T-18
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UNIVAR (1986: S-70)	S-81
VONS COS. (1977: R-29)	R-27

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ALLEGHENY BEVERAGE	S-67
ALLIED VAN LINES ‡	T-36
AMERICAN CONTINENTAL CORP. ‡	I-34
AMERICAN GENERAL LIFE	L-50
AMFAC	S-33
BARCLAYSAMERICANCORP.	F-37
BERKSHIRE HATHAWAY ‡	S-34
BROWN GROUP	R-49
CAESARS WORLD	S-90
CARTERET SAV. & LOAN ASS'N ‡	I-26
CAVENHAM (USA) ‡	R-34
CENTERRE BANCORP. ‡	B-87
CENTRAL BANCSHARES OF THE SOUTH	B-97
COUNTRYMARK	S-100
EMERSON RADIO	S-87
EQUIMARK CORP.	B-100
FARM & HOME FINANCIAL CORP.	I-46
FARMERS GROUP ‡	F-39
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FINANCIAL CORP. OF AMERICA ‡	I-1
FIRST BOSTON ‡	F-8
FIRST COMMERCE CORP.	B-98
FIRST KENTUCKY NATIONAL CORP.	B-89
FISCHBACH ‡	S-65
GELCO ‡	S-98
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HENLEY GROUP ‡	S-14
HILLS DEPARTMENT STORES	R-50
IRVING BANK CORP. ‡	B-25
IU INTERNATIONAL	S-47
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VALLEY FEDERAL S&L ASS'N	I-47
WARNER COMMUNICATIONS ‡	S-15
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ZAYRE	R-17

**Figures in parentheses indicate year and rank the last time the company was listed. Figures are no longer made public. ‡Acquired by another company on the Service 500. ††Independent financial data not available. ‡Reclassified as an industrial.

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